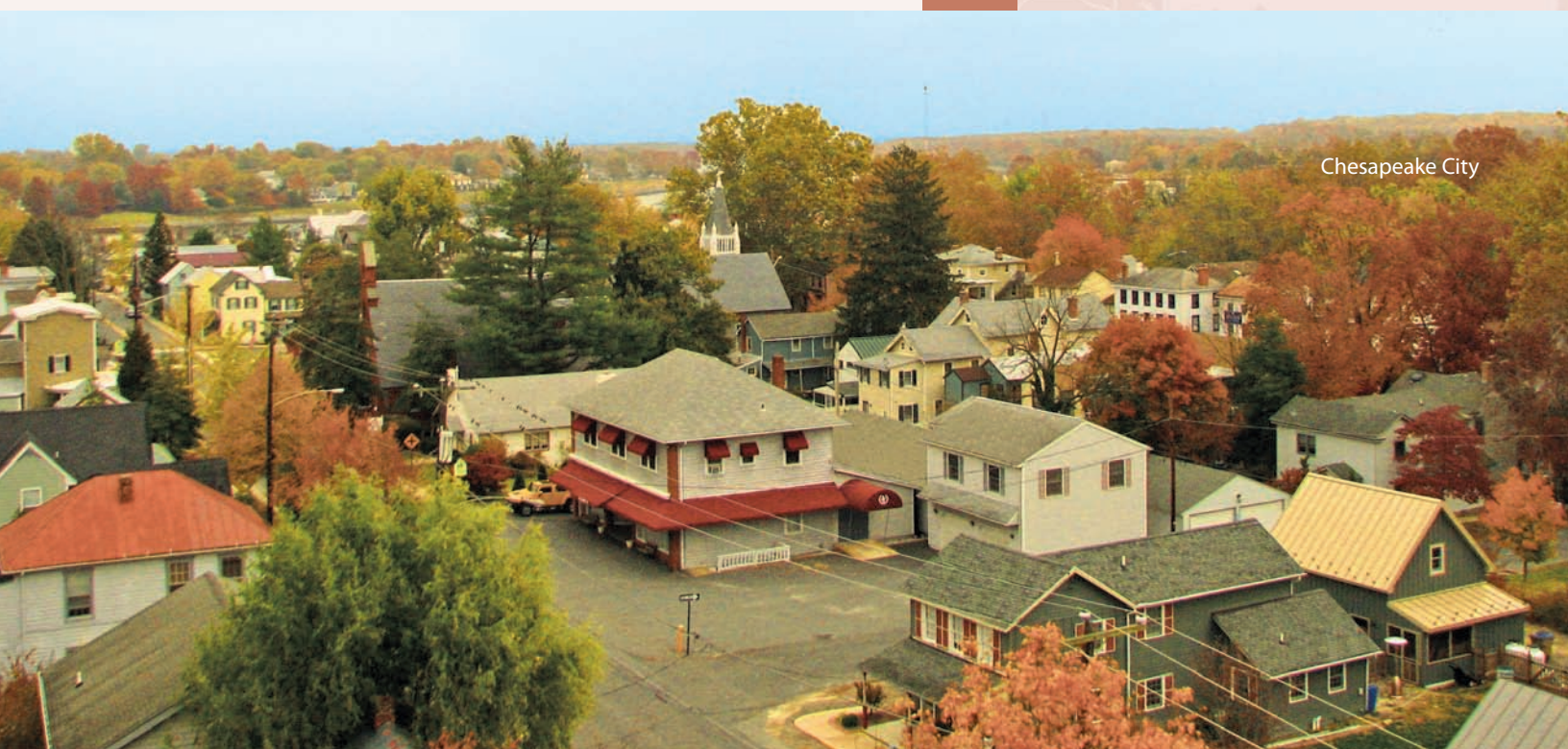
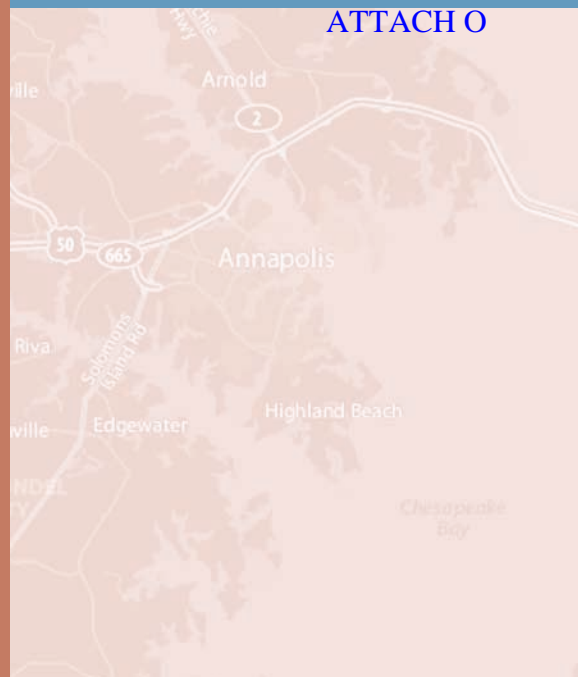


Local Government Insurance Trust

Comprehensive Annual Financial Report

ATTACH O



Chesapeake City

for the fiscal year ended
June 30, 2009



O-1



ATTACH O

Local Government Insurance Trust
7225 Parkway Drive
Hanover, Maryland 21076
ph) 443.561.1700
tf) 800.673.8231
fx) 443.561.1701
www.lgit.org



Founding Organizations



THE
MARYLAND
MUNICIPAL
LEAGUE

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Comprehensive Annual Financial Report

ATTACH O

for the fiscal year ended June 30, 2009



Garrett County

PREPARED BY

Local Government Insurance Trust
Department of Finance and Information Technology
J. Earle Beyer, Director

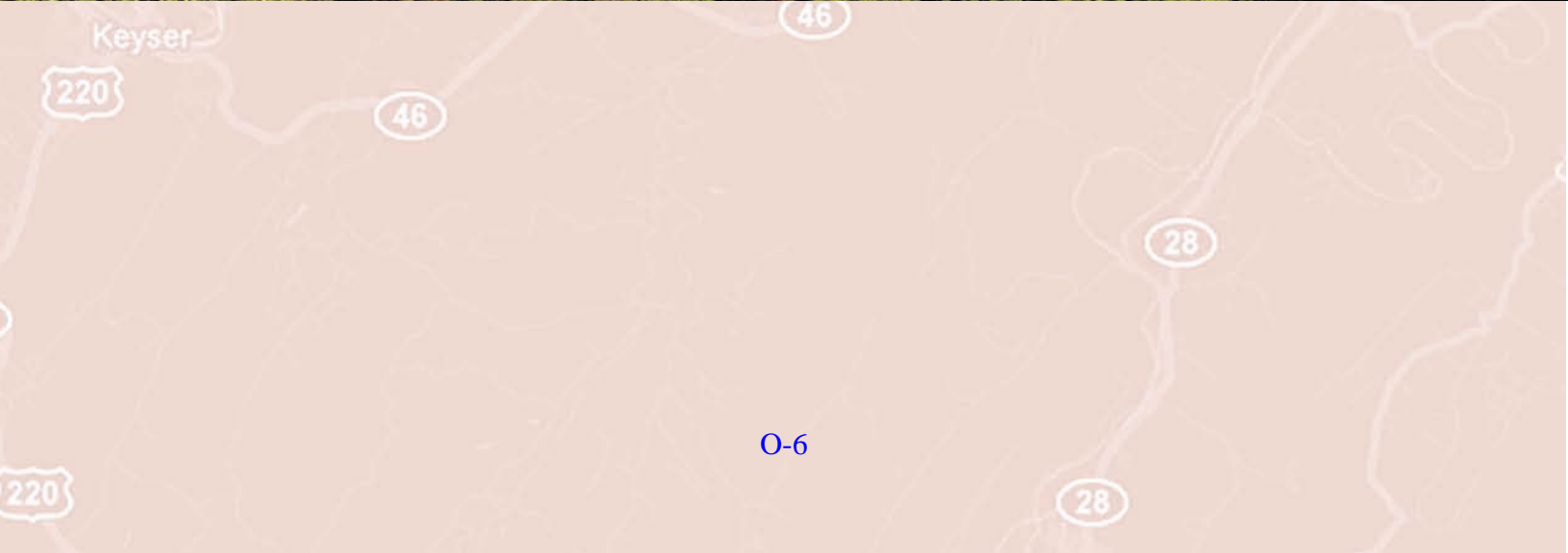
*The Comprehensive Annual Financial Report
of the Local Government Insurance Trust
for the fiscal year ended June 30, 2009
is hereby respectfully submitted*



Table of Contents

ATTACH O

Letter from the Chair	v
INTRODUCTORY SECTION - UNAUDITED	
Transmittal Letter.....	1
Certificate of Achievement for Excellence in Financial Reporting	5
Membership	6
Board of Trustees.....	7
LGIT Staff	8
LGIT Organizational Chart	10
FINANCIAL SECTION	
Independent Auditors' Report	13
Management's Discussion and Analysis	15
Basic Financial Statements	
Statements of Net Assets	19
Statements of Revenues, Expenses and Changes in Net Assets.....	20
Statements of Cash Flows	21
Notes to Financial Statements	23
Required Supplementary Information	
Explanation of Required Supplementary Information	31
Reconciliation of Claims Liabilities and Related Expenses by Pool 2009	32
Reconciliation of Claims Liabilities and Related Expenses by Pool 2008	33
Claims Development Information	34
Supplementary Combining Schedules	
Combining Schedule of Net Assets 2009	36
Combining Schedule of Net Assets 2008	37
Combining Schedule of Changes in Net Assets (Deficit) 2009.....	38
Combining Schedule of Changes in Net Assets (Deficit) 2008.....	39
Combining Schedule of Cash Flows 2009.....	40
Combining Schedule of Cash Flows 2008.....	41
Notes to Supplementary Combining Schedules	43
STATISTICAL SECTION - UNAUDITED	
Comparative Schedule of Revenues, Expenses and Changes in Net Assets	47
Member Growth Analysis.....	48
Loss History and Average Claim Costs	49
Reported Claim Activity.....	50
Loss Development.....	51



LETTER FROM THE CHAIR

Your Trust in FY 2009



The Local Government Insurance Trust (Trust) is a risk services insurance pool created in 1987 in response to the lack of an available, affordable, insurance market for local governments. The purpose of the Trust is to work with Maryland local governments to address their risk management and insurance needs. Apart from these local governments, the Trust has no other clients. In this way, the Trust is able to devote its full energy to resolving the risk management needs of its members. Unlike the typical “insurance company,” the Trust is a non-profit organization, owned and operated by its member governments. Where else can local governments directly access the Board of Directors, the Chairman of the Board and the Executive Director of a company concerning risk management and insurance issues?

During fiscal year 2009, the Trust reached its twenty-first year of service to Maryland local governments. Today, participation in the Trust remains very strong. Total participation for fiscal year 2009 remains at 175 members, consisting of 17 counties, 132 municipalities, 23 sponsored entities, the Maryland Municipal League (MML), the Maryland Association of Counties (MACo) and, of course, the Local Government Insurance Trust.

The Trust was honored by recognition from the following organizations during fiscal year 2009:

- **MSAE AWARD** – for the seventh year in a row, the Trust was recognized by the Maryland Society of Association Executives in their annual Circle of Excellence Awards. This top award was earned for the new and contemporaneous E-Document, LGIT’s “Seasonal Alerts”, to help members prevent losses each season by addressing the specific loss drivers that are unique to the time of year and certain seasonally based member activities.
- **EXCELLENCE IN FINANCIAL REPORTING AWARD** – For the tenth year in a row the Trust was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for our Comprehensive Annual Financial Report (CAFR). This prestigious award is the highest form of recognition in governmental accounting and financial reporting.
- **AGRIP RECOGNITION** - The Trust received recognition from the Association of Governmental Risk Pools for meeting their Advisory Standards for public entity pools.

We view these awards as extremely valuable to LGIT as they send an important message to our members that we strive for excellence in achieving our mission.

Training continues to be a primary focus of our risk management efforts to help Trust members reduce losses. In fiscal year 2009, the Trust provided 85 training and educational opportunities across the state. These seminars were attended by 2,596 local government officials and employees, an increase in attendance of 21% over last year.

In 2009, the Trust also continued its outreach to organizations and groups representing and/or affiliated with the Trust members. These groups included the Maryland Sheriff’s Association, the Maryland Police and Correctional Training Commission, the Government Finance Officers Association, the Injured Worker’s Insurance Fund, the Public Risk Insurance Management Association, the National League of Cities Risk Information Sharing Consortium, the National Association of Counties and of course, MACo and MML. The Trust continued its partnership with MACo, MML, and the Institute for Governmental Services at the University of Maryland, to implement the Academy for Excellence in Local Governance.

From a financial standpoint, the Trust had an up and down year mainly driven by the volatile performance of the Trust’s equity investments. Like most everyone, the Trust suffered losses due to the stock market collapse of the fall of 2008, but as

the year progressed, we enjoyed a strong partial recovery in those investments and by year end the Trust's total investment portfolio produced a small positive return for fiscal year 2009. Overall, the Trust continues to maintain a very healthy reserve and is in excellent financial condition and in fact returned \$2.0 million to the members of the Primary Liability Pool in the form of rate stabilization credits.

Included in the annual report are the Transmittal letter and Management's Discussion and Analysis, which go into more detail regarding the financial operations of the Trust. Also included are the basic financial statements that include the notes to the financial statements, which are an integral part of the annual report and should be carefully read.

The annual audit went very well largely due to the quality and the stability of the staff in our finance department and the work of our Finance/Audit Committee.

My sincere appreciation is extended to all members for their support, input and ideas, which have made the Trust what it is today. I also express my gratitude to the Board of Trustees and the many local government officials who serve on the Trust's committees. These volunteers are to be commended; they rose to the challenges, and put in the extra effort to make this a great year.

The true backbone of the Trust is the dedicated and highly professional staff. I thank them and salute their commitment to our membership and to providing outstanding support and service to Maryland's local governments.

Respectfully submitted,

A handwritten signature in black ink that reads "David J. Deutsch". The signature is written in a cursive, flowing style.

David J. Deutsch, Chair
City Manager, City of Bowie



Sykesville Visitors Center

Introductory Section

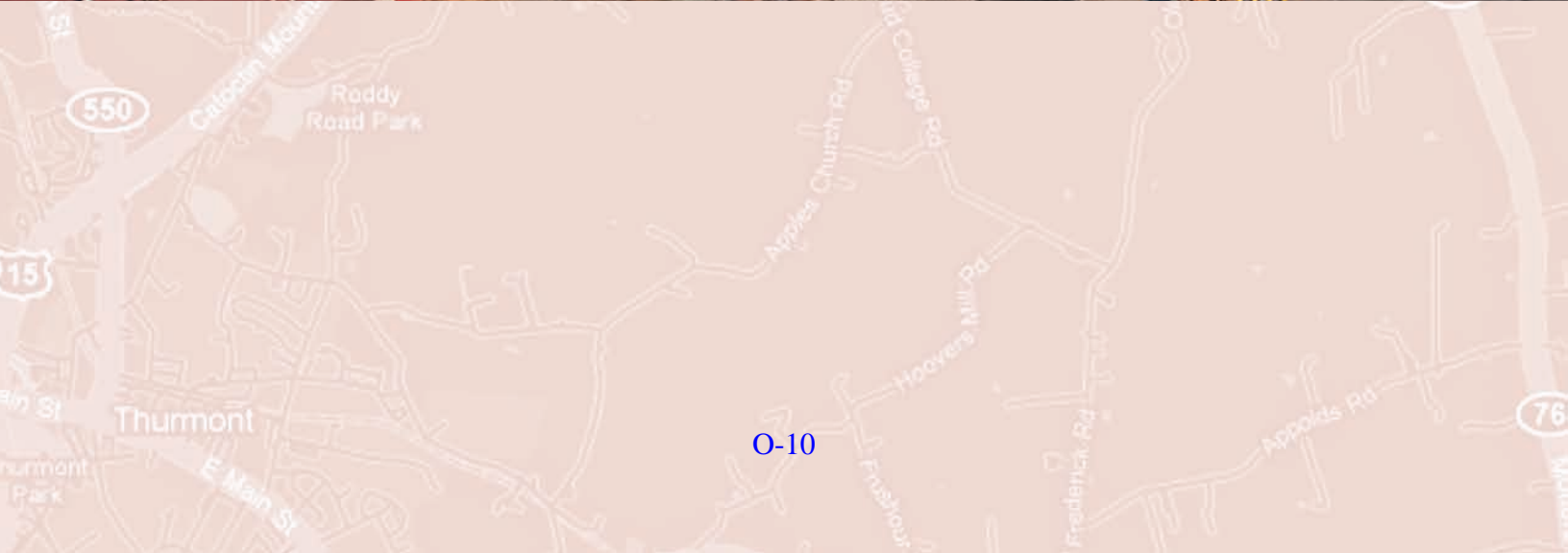
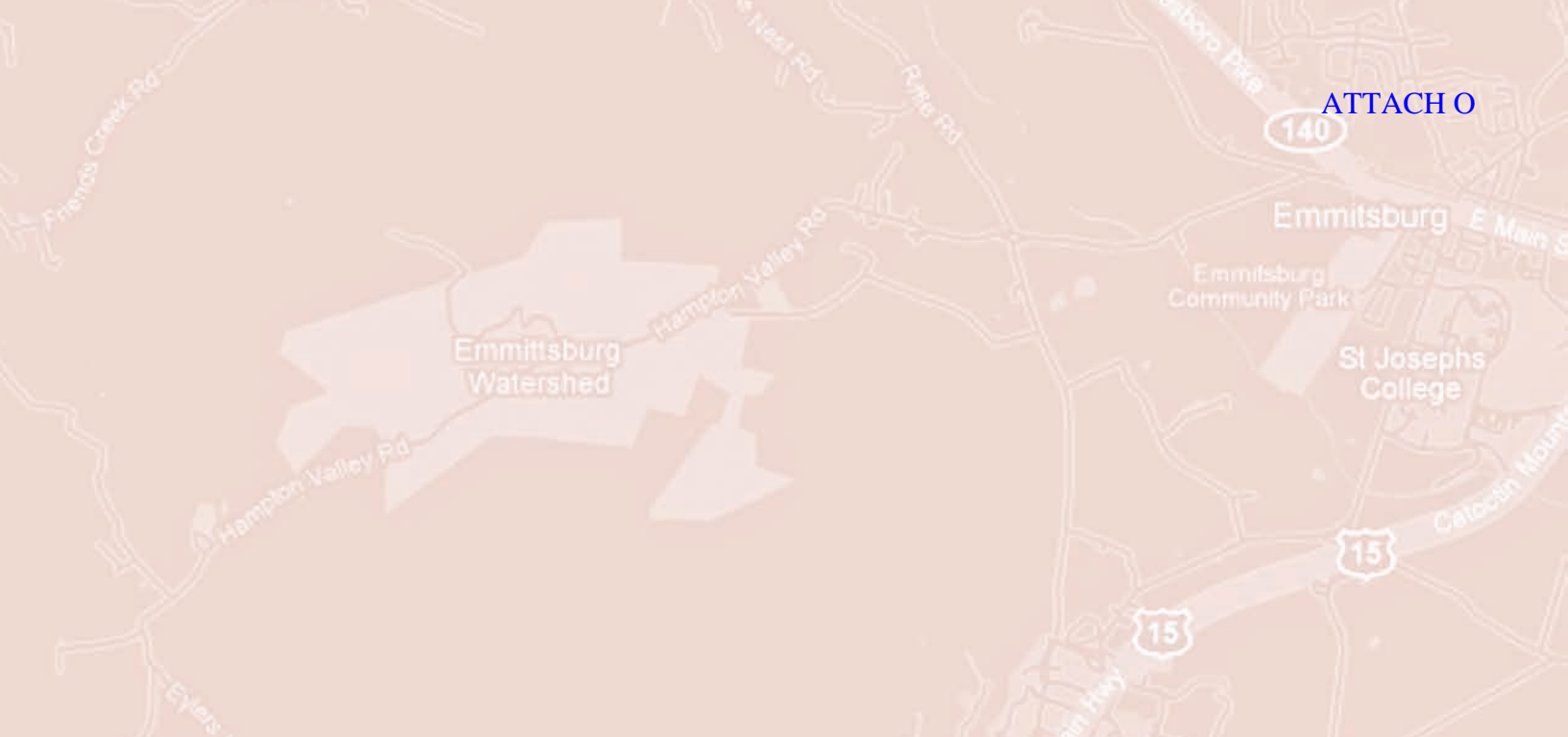
Transmittal Letter

Certificate of Achievement
for Excellence in
Financial Reporting

Membership

Board of Trustees

LGIT Staff





www.lgit.org • 7225 Parkway Drive • Hanover, MD 21076
TEL 443.561.1700 • MD 800.673.8231 • FAX 443.561.1701

November 19, 2009
Board of Trustees
Local Government Insurance Trust
7225 Parkway Drive
Hanover, Maryland 21076

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the Local Government Insurance Trust (Trust) for the year ended June 30, 2009 is hereby respectfully submitted. The Trust's finance department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Trust. We believe the data, as presented, is accurate in all material respects; presented in a manner designed to fairly present the financial position, results of operations and cash flows of the Trust; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Trust's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section contains this transmittal letter, which includes a discussion of the financial activities and substantive highlights for the fiscal year, a list of the Trust's members, a list of the Trust's officers, the Trust's organizational chart and a copy of the fiscal year 2008 Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association. The financial section includes the independent auditors' report, management's discussion and analysis, the audited basic financial statements, required supplementary information, and supplementary combining schedules. The statistical section includes selected financial and statistical data, generally presented on a multi-year basis.

The Reporting Entity and Its Services

The Trust is a joint association of Maryland local governments formed July 1, 1987 to provide insurance coverages and other risk management services. Specifically, the Trust provides insurance coverage for certain classes of casualty and property related risks, as well as support services such as litigation, administration and management of claims, risk management and loss control services, training and property valuation. As of June 30, 2009, the Trust operates three pools of coverage as follows: the Primary Liability Pool (PLP), the Property Pool, and the Excess Liability Pool (ELP). The Trust also sponsors an Environmental Impairment Liability Pool. An outside insurance carrier holds the financial risk of the Environmental Impairment Liability Pool and its participants deal directly with the outside carrier. Membership in the Trust is limited to Maryland local governments that are members of the Maryland Association of Counties (MACo) or the Maryland Municipal League (MML).

A Board of Trustees (Board) consisting of 13 voting members governs the Trust. Twelve of the Trustees, comprised of six municipal and six county officials, are elected by the membership. The Board appoints one Trustee to represent a member of MACo or MML and both Executive Directors of MACo and MML serve as ex-officio Trustees on the Board. Elected Trustees are eligible for re-election every three years. The Board elects from its members a Chairman, Vice-Chairman and a Secretary. The day-to-day operations of the Trust are overseen by the Executive Director, who is the chief administrative officer and is responsible for the administrative implementation of policies stated in the Trust Agreement and By-Laws, the policy manual and as established by the Board.

Economic Outlook

Calendar year 2008 marked the fifth year in a row of a soft insurance market across all lines and this trend has continued into 2009. Competition for business remains strong regardless of account size, leading to new challenges for the Trust in retaining its current level of participation. The services provided by the Trust such as personalized claims handling, underwriting and loss control services, training opportunities, and other value added services not typically provided by commercial insurers remain a Trust priority. Innovation designed to broaden services and coverage may also serve to level the playing field with those commercial insurers who make efforts to “buy the business” with short-term rate reductions. Despite the increasing competition, the Trust continues to rely on responsible underwriting by funding the pools based on actuarial projections.

While it is sometimes difficult to compete with global commercial insurers, the Trust was able to reduce overall premium costs for Property by 12.6%, Boiler by 15.2%, and Excess Liability by 5.0%. However, Primary Liability premiums increased by 4.4% driven by the increasing loss costs particularly in the areas of Law Enforcement Liability and Public Official Liability. The overall premium change across all lines was a reduction of 3.6%.

MAJOR INITIATIVES

For the Year

The following highlights some of the Trust's major accomplishments during fiscal year 2009:

- ❑ **TRAINING** – The Trust provided a series of training programs, for both public official & employment liability, to address these loss control concerns. Defensive Driving training continued throughout the year to address auto physical losses. The Trust's Legal department has been very valuable in their presentation of Workplace Harassment classes. The Trust's Claims Department presented a Claims Reporting workshop dealing with claims related issues.
- ❑ **LOSS CONTROL CREDIT SURVEY** – The Board of Trustees, as part of a larger plan to return surplus from the PLP, elected to implement a loss control credit program. The intent was to reward those members who have engaged in exceptional loss control activities. Funding of \$300,000 was allocated to this effort for fiscal year 2010. Implementation, which began in the fall of 2008, involved an online survey broken down into sets of questions appropriate to the individual lines of coverage offered by the pool. Depending upon their loss control score, qualifying members will receive a credit of 5% of premium for the fiscal year 2010 renewal.
- ❑ **RATE STABILIZATION CREDITS** – Beginning in fiscal year 2009, the Board of Trustees enacted a return of equity in the form of rate stabilization credits for the eligible members of the PLP. The equity return follows the policies concerning equity as stated in Article VIII, Section 8.03(b) of the Trust Agreement. Each members' share of the equity return was deposited into their respective rate stabilization accounts. Funds in the account are used by each member, at their discretion, as a credit or offset to their annual PLP premiums. The Board has limited the annual credit to 30% of the account balance. The remainder will be left in the account and will earn interest equal to the rate earned on the Trust's short-term investment portfolio and can be available in subsequent years. The funds in the rate stabilization accounts can only be used by individual members as an offset against PLP premiums which will require a renewal of membership. In fiscal year 2009, \$605,018 was made available to eligible members.
- ❑ **PROPERTY APPRAISAL PROGRAM** – A special property appraisal program was initiated in March of 2008 and continued throughout fiscal year 2009. The purpose was to determine and document accurate values for water and waste water treatment plants to ensure that the values reported to our reinsurers were justifiable, thereby strengthening the trust's reputation for reliability, while at the same guaranteeing collection of adequate premium fees for those risks. Twenty eight members' facilities were appraised in fiscal year 2009 and the program is expected to continue through 2011.

For the Future

In fiscal year 2009, the first steps were taken to implement an enterprise-wide, web-based system which will allow for more efficient communication between all three operational functions of underwriting, claims and finance. This new system, called Risk 360, is a modular, integrated system designed to perform and manage the core processes of public entity risk pools. The installation and configuration is expected to be completed during fiscal year 2010. In addition to the benefits of a more efficient administrative system, Risk 360 will provide our membership with on-line browser-based services such as policy renewal, schedule changes, claim submission, and rating and reporting tools. By integrating all of these processes, maximum productivity will be achieved both by the Trust and by its membership, saving valuable time and ultimately reducing claims costs resulting from inefficient processes.

During fiscal year 2009, the Trust entered into a partnership with Benecon, a benefits and consulting group specializing in establishing and managing employee health benefits purchasing groups. Benecon has been successfully employing their self-insurance model with municipal groups throughout Pennsylvania for the last eighteen years. The goal of this new partnership is for Benecon and the Trust to work together to create a similar group(s) in the state of Maryland. Benecon's track record has produced very positive results. Benecon's first municipal cooperative started in 1991 and their retention rate since inception is at 99.9%. The Trust believes that Benecon's program will be safe and secure for the participating Maryland governments. Benecon's record has shown that for most years surplus funds have been returned to members without any assessments or surcharges. The Trust's primary roles in the partnership are to serve as the group Treasurer and to assist with marketing. The Trust will incur no financial risk and will essentially serve as a financial pass through between the Maryland governmental groups that participate and the insurance entities that provide coverage. Initial responses from the Maryland governments surveyed have been positive and hopefully the new health cooperative will be up and running by the end of fiscal year 2010.

In fiscal year 2010, the Trust will establish an Internet forum for discussion groups for Public Works officials. If this effort is successful, it will be expanded to include other groups such as Law Enforcement, Public Officials, and Risk Managers.

FINANCIAL MANAGEMENT AND CONTROLS

The basic financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities, and necessarily include amounts based upon reliable estimates and judgments. The Trust's accounting records are maintained using an economic resources measurement focus and the accrual basis of accounting. A summary of the Trust's significant accounting policies is discussed in more detail in Management's Discussion and Analysis and also in the Notes to the Financial Statements found in the financial section of this report.

Internal Accounting Structure

Internal controls have been put in place to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits derived from the control, and that the evaluation of costs and benefits requires reasonable business judgment by management. All internal control decisions are made within the above framework. Management believes the Trust's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Control

A detailed annual budget is prepared prior to the start of each fiscal year and submitted to the Board for review and approval. Trust management is required by the Board to control expenditures and stay within its guidelines. The approved budget is also used as a management tool to aid in the evaluation of performance. Detailed reports comparing budget to actual are provided to the Board on a quarterly basis. The Trust's independent auditors do not audit these internal management reports.

Cash Management

The Department of Finance is responsible for daily cash management and monitoring the activities of the external investment managers. The Trust receives daily pricing of investment securities owned, a monthly reporting of all transactions and cash flows as well as quarterly performance reports. All securities are held in safekeeping with a third party custodian bank as designated by the Board.

Risk Management

The Trust continually seeks ways to manage the risks of each pool of coverage it offers. The Trust provides a number of programs to assist its members in controlling losses and managing risk including various seminars, training programs and property inspection services. Further, the Trust utilizes the services of an independent consulting actuary. The actuary performs regular reviews to assist the Trust in establishing appropriate loss reserves and contribution rates. The Trust has also purchased reinsurance to protect against unusually severe individual claim losses.

Independent Financial Audit

Clifton Gunderson LLP, an independent certified public accounting firm, provides an objective, independent examination of the Trust's basic financial statements. Its audit includes those auditing procedures that it deems necessary to express an opinion on the fairness, in all material respects, of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Clifton Gunderson's unqualified opinion on the Trust's basic financial statements as of and for the fiscal years ended June 30, 2009 and 2008 is included in the financial section of this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Trust for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

This report reflects the combined efforts of the Board, the Finance/Audit Committee, the Trust's management and staff. We would like to express our sincere appreciation to each of the Trust's members, the Board, the various local government officials that serve on the Trust committees and the employees of each governmental unit for their commitment to risk management and intergovernmental risk pooling. Their support and commitment is the reason for the continued successful operation of the Local Government Insurance Trust.

Respectfully submitted,



Jon C. Burrell
Executive Director



J. Earle Beyer
Director, Financial and IT Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Local Government Insurance
Trust, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Local Government Insurance Trust ATTACH O

Fiscal Year 2009 Membership

Aberdeen
 Accident
 Annapolis
 Baltimore County
 Barclay
 Barnesville
 Barton
 Bel Air
 Berlin
 Berwyn Heights
 Betterton
 Bladensburg
 Boonsboro
 Bowie
 Brentwood
 Brookeville
 Brookview
 Brunswick
 Burkittsville
 Calvert County
 Cambridge
 Cambridge Municipal
 Utilities Commission
 Capitol Heights
 Caroline County
 Caroline County
 Humane Society
 Caroline County Library
 Carroll Area Transit, Inc.
 Carroll County
 The Humane Society
 of Carroll County, Inc.
 Carroll County Public Library
 Cecil County
 Cecilton
 Charles County
 Charlestown
 Chesapeake Beach
 Chesapeake City
 Chestertown
 Cheverly
 Chevy Chase
 Chevy Chase Village
 Section 3 of the Village
 of Chevy Chase
 Chevy Chase Section 5
 Church Creek
 Church Hill
 Clear Spring

College Park
 Colmar Manor
 Cottage City
 Crisfield
 Deer Park
 Denton
 District Heights
 Dorchester County
 Eagle Harbor
 East New Market
 Eastern Shore
 Entrepreneurship Center
 Easton
 Edmonston
 Eldorado
 Elkton
 Emmitsburg
 Fairmount Heights
 Federalsburg
 Forest Heights
 Friendsville
 Frostburg
 Gaithersburg
 Galestown
 Garrett County
 Garrett County Community
 Action Committee
 Garrett Park
 Glen Echo
 Glenarden
 Goldsboro
 Grantsville
 Greenbelt
 Hagerstown
 Hampstead
 Hancock
 Harford County
 Havre de Grace
 Hebron
 Henderson
 Highland Beach
 Hillsboro
 Howard Community
 College
 Howard County
 Howard County Economic
 Development Authority
 Howard County Housing
 Commission

Howard County Library
 Howard County Mental
 Health Authority
 Hurlock
 Hyattsville
 Indian Head
 Keedysville
 Kensington
 Kent County
 Kent County Public Library
 Kitzmiller
 La Plata
 Landover Hills
 Laurel
 Laytonsville
 Leonardtown
 Local Government
 Insurance Trust
 Loch Lynn Heights
 Lonaconing
 Luke
 Mardela Springs
 Marydel
 Maryland Association
 of Counties
 Maryland Municipal League
 Middletown
 Mid-Shore Regional Council
 Millington
 Montgomery
 Municipal Cable
 Morningside
 Mount Airy
 Mount Rainier
 Mountain Lake Park
 Myersville
 New Carrollton
 New Market
 New Windsor
 North Beach
 North Brentwood
 North Chevy Chase
 North East
 Northeast Maryland Waste
 Disposal Authority
 Oakland
 Ocean City
 Pittsville
 Pocomoke City

Poolesville
 Port Deposit
 Preston
 Princess Anne
 Queen Anne
 Queen Anne's County
 Queenstown
 Rising Sun
 Riverdale Park
 Rosemont
 Salisbury
 Seat Pleasant
 Secretary
 Sharpsburg
 Sharptown
 Smithsburg
 Snow Hill
 Somerset County
 Somerset County
 Library System
 Somerset County Sanitary
 District, Inc.
 St. Clements Island and
 Piney Point Museums
 St. Mary's County
 St. Mary's County
 Metropolitan Commission
 St. Michaels
 Sudlersville
 Sykesville
 Takoma Park
 Talbot County
 Taneytown
 Tri-County Council for the
 Lower Eastern Shore
 University Park
 Upper Marlboro
 Vienna
 Walkersville
 Washington County
 Washington Grove
 Westernport
 Westminster
 Willards
 Williamsport
 Worcester County
 Worcester County Library

Local Government Insurance Trust ATTACH O

Fiscal Year 2009 Board of Trustees



David J. Deutsch, Chairman
City Manager, City of Bowie



Roger L. Fink, Vice-Chairman
County Attorney, Charles County



David E. Carey, Secretary
Commissioner, Town of Bel Air



Michael J. Sanderson, Ex-Officio
*Executive Director,
Maryland Association of Counties*



Scott Hancock, Ex-Officio
*Executive Director,
Maryland Municipal League*



John E. Bloxom
*County Attorney,
Worcester County*



Stewart B. Cumbo
*Councilman,
Town of Chesapeake Beach*



Susanne Hayman
*County Administrator,
Kent County*



Susan M. Keller
*Commissioner of
Public Works,
City of Frostburg*



Rob McCord
*County Attorney,
Harford County*



John D. Miller
*Burgess,
Town of Middletown*



F. Gary Mullich
*Director,
General Services,
Garrett County*



Wilson H. Parran
*President,
Board of Commissioners,
Calvert County*

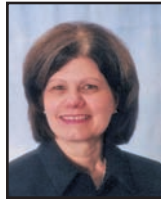
Local Government Insurance Trust ATTACH O

Fiscal Year 2009 Management and Staff

Executive



Jon C. Burrell
Executive Director



Marsha Carpenter
Human Resources Manager



Sandy Tedrow
Executive Secretary

Finance and Information Technology Services



J. Earle Beyer
Director



Betty Haynes
Accountant



Michael Becker
Systems Engineer



Sheryl Browning
*Database Analyst/
Media Specialist*

Loss Control & Underwriting Services



Herbert Schomburg
Director



Scott Soderstrom
Underwriting Manager



Ellen Nudd
Underwriter



Richard Furst
Senior Loss Control Manager



Vance Petrella
Loss Control Manager



Larry Bohlen
Loss Control Training Coordinator



Michelle Yannone
Staff Associate



Jeffrey Perkins
Loss Control Associate



Latina Wilkinson
Loss Control Assistant

Local Government Insurance Trust ATTACH O

Fiscal Year 2009 Management and Staff

Claims Services



Sherri Butler
Director



Elisabeth Beekman
Manager/Litigation Analyst



Elizabeth Martinez
Litigation Analyst



Katie Adams
Subrogation/Litigation Specialist



Dorie Schwartz
Claims Analyst



Hollis Henry
Claims Analyst



Sharonda Clark
Claims Analyst



Dalas Salters
Claims Analyst



Pat Olson
Claims & Legal Staff Associate



Charise Henderson
Claims Administrative Assistant

Legal Services



John F. Breads, Jr.
Director



Christine Altemus
Senior Attorney



Matthew Peter
Attorney

Support Services



Arlene Courtney
Manager



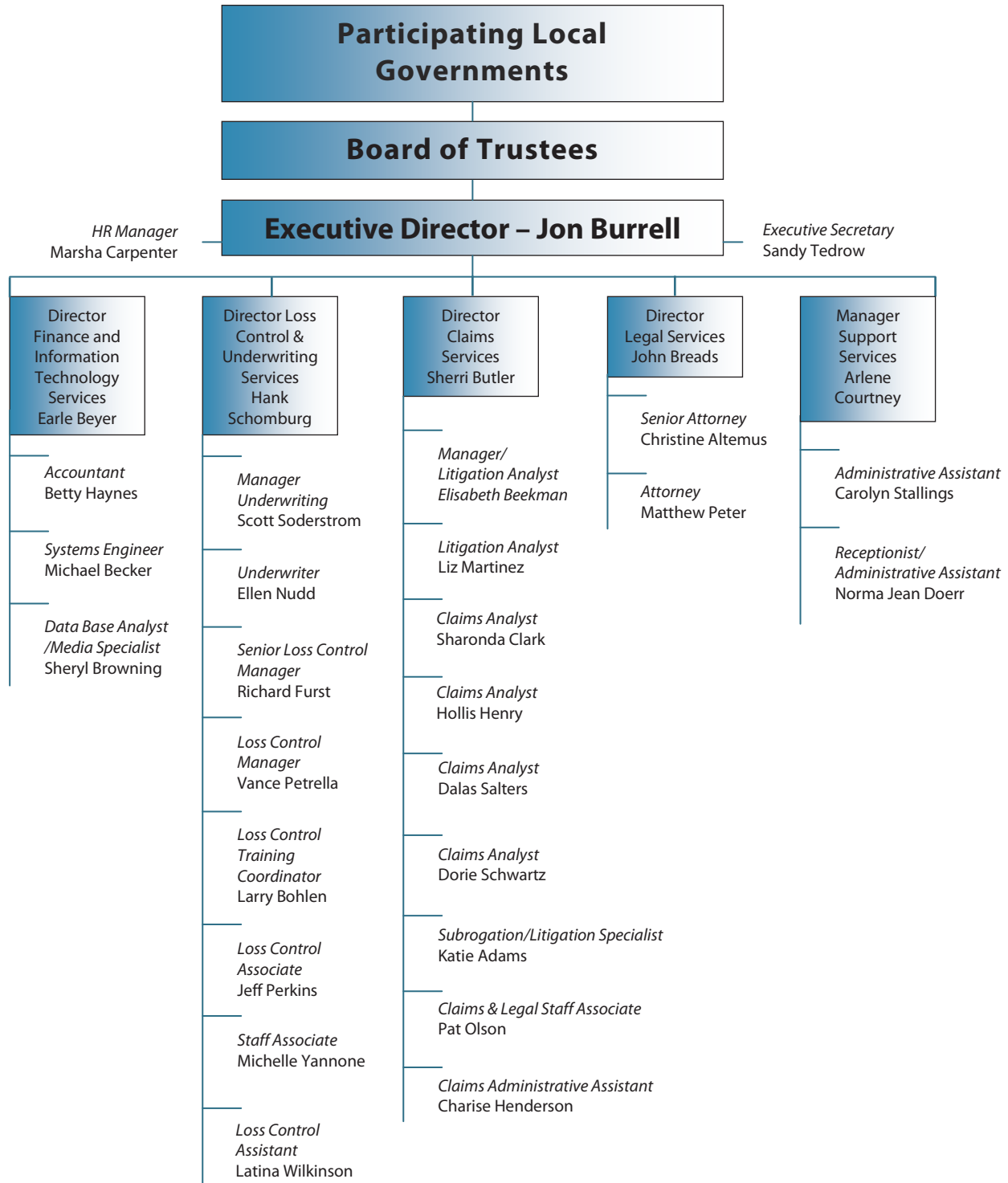
Carolyn Stallings
Administrative Assistant



Norma Jean Doerr
Receptionist/Administrative Assistant

Local Government Insurance Trust ATTACH O

Fiscal Year 2009 Organizational Chart





Financial Section

Independent Auditors' Report

Management's Discussion and Analysis

Statements of Net Assets

Statements of Revenues, Expenses and
Changes in Net Assets

Statements of Cash Flows

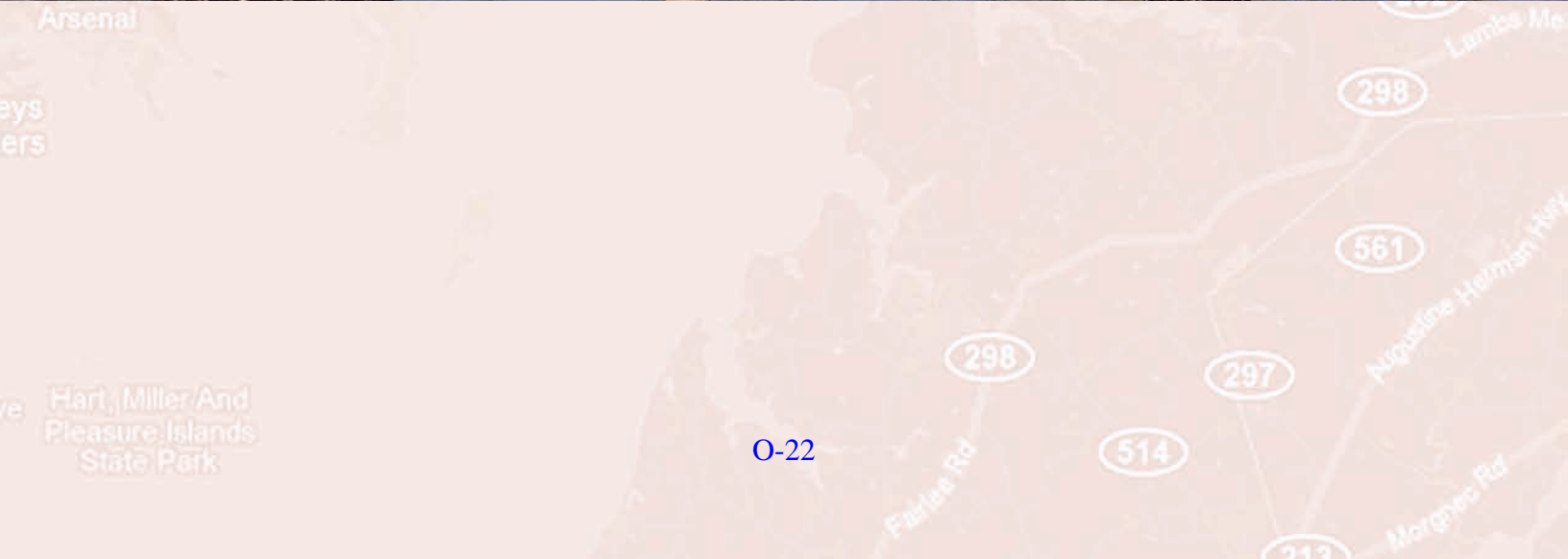
Notes to Financial Statements

Explanation of Required Supplementary
Information

Reconciliation of Claims Liabilities and
Related Expenses by Pool

Claims Development Information

Supplementary Combining Schedules



Independent Auditor's Report

The Board of Trustees
Local Government Insurance Trust
Hanover, Maryland

We have audited the accompanying statements of net assets of Local Government Insurance Trust (the Trust) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended, which collectively comprise Local Government Insurance Trust's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Local Government Insurance Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2009 and 2008, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The supplementary combining schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to our auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

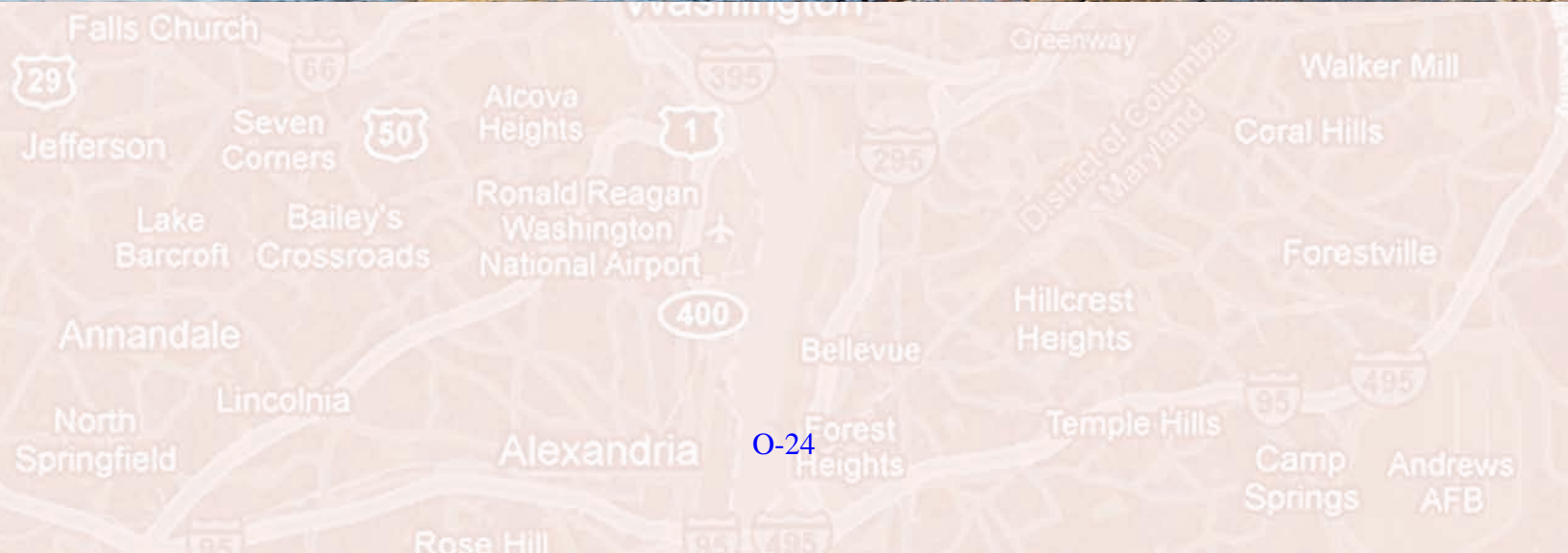
The letter from the Chair, introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Baltimore, Maryland
November 12, 2009

Offices in 15 states and Washington, DC







Local Government Insurance Trust Management's Discussion and Analysis

Years Ended June 30, 2009 and 2008

This section of the Comprehensive Annual Financial Report presents a discussion and analysis of the financial performance of the Local Government Insurance Trust (Trust) as of and for the years ended June 30, 2009 and 2008. Please read it in conjunction with the financial statements, which follow this section.

The following is a brief description of the Trust's three basic financial statements:

STATEMENT OF NET ASSETS — This statement presents information reflecting the Trust's assets, liabilities and net assets. The statement of net assets categorizes assets and liabilities as current and non-current. For purposes of this financial statement, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or become due within twelve months of the statement date. The Trust's investments are considered as current as they could be liquidated upon demand.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS — This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses of the Trust. The Trust's major source of operating revenues is premium income with the major source of operating expenses being incurred loss and loss adjustment expenses related to claims. The change in net assets is similar to net profit or loss for any other insurance company.

STATEMENT OF CASH FLOWS — The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, capital and related financing, non-capital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase in cash and cash equivalents for the fiscal year. Due to timing differences associated with accrual accounting, the net cash provided by (used in) operating activities is different than the amount of operating income (loss) reported on the statement of revenues, expenses and changes in net assets; therefore, a reconciliation is also provided.

FINANCIAL SUMMARY

The following table summarizes the financial position of the Trust at June 30, 2009, 2008 and 2007, respectively.

Summary of Net Assets

	2009	2008	2007
ASSETS	\$ 58,493,274	\$ 57,636,182	\$ 57,430,058
Liabilities	17,869,275	16,233,911	17,513,944
NET ASSETS	\$ 40,623,999	\$ 41,402,271	\$ 39,916,114

Total Assets

Total assets remained relatively unchanged for the two year period between June 30, 2007 and June 30, 2009.

Total Liabilities

The most significant components of the Trust's liabilities are related to unpaid claims and related expenses. Unpaid claims and related expenses is a liability calculated by the Trust's actuary for all pools. The change in the unpaid claims and related expense liability in 2009 and 2008 amounted to an increase of \$419 thousand and a decrease of \$1.2 million, respectively. The increase in reserves during 2009 primarily relates to the larger number of public official and auto liability cases. The decrease in reserves during 2008 is due to better than expected outcomes of large cases which had uncertain outcomes as of June 30, 2007.

Total liabilities also increased by \$1.4 million during 2009 as a result of the creation of a rate stabilization fund for the members of the Primary Liability Pool (PLP). For 2009, the Board of Trustees (Board) approved an initial \$2 million funding from equity into this fund which is reported as a reduction of premiums. Pool members can access one-third of their share of the fund to offset annual insurance premiums. For 2009, approximately \$600 thousand of credits were applied to member invoices, which resulted in the \$1.4 million liability.

The following table summarizes the change in net assets for fiscal years ended June 30, 2009, 2008 and 2007.

Summary of Revenues, Expenses and Changes in Net Assets

	2009	2008	2007
Operating revenues	\$ 9,259,681	\$ 10,642,157	\$ 10,436,163
Operating expenses	10,732,903	10,849,430	11,431,763
Operating income (loss)	(1,473,222)	(207,273)	(995,600)
Non-operating income (expenses)	694,950	1,693,430	3,430,324
Change in net assets	(778,272)	1,486,157	2,434,724
Net assets, beginning of year	41,402,271	39,916,114	37,481,390
Net assets, end of year	\$ 40,623,999	\$ 41,402,271	\$ 39,916,114

RESULTS OF OPERATIONS

Revenues

Total operating revenues decreased by approximately 13% or approximately \$1,382,000 for fiscal year 2009 compared to fiscal year 2008. This was primarily due to the \$2,000,000 of rate stabilization credits granted to members of the PLP during fiscal year 2009. The effect of the rate stabilization credits was partially offset by premium increases due to higher insured values and the reduction in reinsurance costs.

Total operating revenues were relatively unchanged for fiscal year 2008 compared to fiscal year 2007 and only increased by approximately \$205,000. This was primarily due to lower reinsurance costs which are recorded as a reduction of premium revenues.

Expenses

Operating expenses are comprised of incurred loss and loss adjustment expenses and the Trust's general and administrative expenses.

The loss and loss adjustment expenses were approximately \$228,000 lower in fiscal year 2009 compared to fiscal year 2008 primarily due to the much lower amount of paid claims. This was offset somewhat by the increase in outstanding claim reserves.

The loss and loss adjustment expenses were approximately \$865,000 lower in fiscal year 2008 compared to fiscal year 2007. Although the total loss and loss adjustment expenses were lower, actual paid claims increased by approximately \$3.5 million in fiscal year 2008 compared to fiscal year 2007. The increase in paid claims was the result of payments of large verdicts involving police legal liability and storm water backup cases, which also resulted in a corresponding decrease in the liability of unpaid claims. Overall, the liability of unpaid claims was reduced by approximately \$1.2 million in fiscal year 2008 compared to an increase in the reserve of approximately \$3.1 million in fiscal year 2007.

The Trust's general and administrative (G&A) expenses for 2009 were approximately 2.5% or \$112 thousand higher than 2008. This was primarily due to the standard increases in personnel expenses due to employee raises and corresponding increase in benefit costs while the relatively minor changes in other expense categories effectively offset each other.

The Trust's G&A expenses for 2008 were approximately \$282,000 higher than for 2007. Approximately one-half of the increase relates to increased personnel expenses due to employee raises and corresponding increases in benefit costs. Other operating expenses associated with building ownership also accounted for approximately half of the increase.

Non-operating revenues

Non-operating revenues consist of investment income and interest expense. Investment income was approximately \$1.0 million lower in fiscal year 2009 compared to fiscal year 2008. Most of the decline was due to the stock market crash that occurred early in the fiscal year. The fixed income investments continued to perform strongly which resulted in growth of the portfolio after reporting losses for most of the year. Both the fixed income and equity portfolios out-performed their respective benchmarks as established by the Board.

Investment income was approximately \$1.6 million lower in fiscal year 2008 compared to fiscal year 2007. During fiscal year 2008, the return on the Trust's fixed income investment grew to 6.8%, up from 5.3% for fiscal year 2007 and the performance was in line with the Trust's fixed income benchmark as established by the Board. The strong performance in the fixed income portfolio was offset in fiscal year 2008 by the negative growth of the Trust's equity investments which were down by approximately 8.3% for the fiscal year. Although the equity portfolio was down, the negative return out-performed the equity benchmarks as established by the Board.

The annualized investment returns for fiscal years 2009, 2008 and 2007 are summarized by investment type as follows. This does not include any return or loss on the Trust's deposit with the reinsurance pool.

	2009	2008	2007
Fixed income portfolio	6.11%	6.83%	5.30%
Equity portfolio	-26.21%	-8.32%	17.85%
Total LGIT investments	.59%	3.87%	7.06%

The Trust's fixed income investments of its combined short-term and long-term portfolios represent approximately 86% of the Trust's entire investment portfolio as of June 30, 2009 and 84% as of June 30, 2008 and June 30, 2007. The Trust's equity target percentage for its long-term portfolio has remained at 24% during the three year period. The Trust does not hold equity securities in its short-term portfolio.

This financial report is designed to provide Trust membership with a general overview of the Trust's finances, and to demonstrate the Trust's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to J. Earle Beyer, Director of Finance/Information Technology, 7225 Parkway Drive, Hanover, Maryland 21076.



LOCAL GOVERNMENT INSURANCE TRUST

Statements of Net Assets

Years Ended June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 5,445,709	\$ 8,591,866
Investments (note 3)	40,711,359	35,902,253
Premiums receivable	6,801	3,674
Interest income receivable	376,497	361,616
Deposit with reinsurance pool (note 9)	5,449,422	6,067,701
Reinsurance recoverable on paid losses (note 9)	2,001,492	2,385,088
Capital assets (note 4)	4,280,959	3,992,971
Other	221,035	331,013
Total assets	58,493,274	57,636,182
LIABILITIES		
Accounts payable and accrued expenses	154,696	265,884
Unpaid claims and related expenses (note 5)	12,084,847	11,665,348
Notes payable (note 6)	4,105,000	4,210,000
Interest payable	1,207	5,442
Rate stabilization fund (note 7)	1,422,405	-
Capitalization contributions (note 8)	1,640	1,640
Other	99,480	85,597
Total liabilities	17,869,275	16,233,911
NET ASSETS		
Invested in capital assets, net of related debt	324,472	160,390
Unrestricted	40,299,527	41,241,881
Total net assets	\$ 40,623,999	\$ 41,402,271

See accompanying notes to the financial statements.



LOCAL GOVERNMENT INSURANCE TRUST
Statements of Revenues, Expenses and Changes in Net Assets
 Years Ended June 30, 2009 and 2008

	2009	2008
Operating Revenues		
Gross premiums earned	\$ 15,675,273	\$ 15,442,512
Less: premium credits	(2,000,000)	-
reinsurance premiums	(4,446,223)	(4,819,145)
Net premiums earned	9,229,050	10,623,367
Other revenues	30,631	18,790
Total operating revenues	<u>9,259,681</u>	<u>10,642,157</u>
Operating Expenses		
Incurred loss and loss adjustment expenses (note 5)		
Paid, net of recoveries	5,900,886	7,756,321
Change in liability for unpaid claims and related expenses	419,498	(1,208,238)
General and administrative expenses	4,412,519	4,301,347
Total operating expenses	<u>10,732,903</u>	<u>10,849,430</u>
Operating income (loss)	<u>(1,473,222)</u>	<u>(207,273)</u>
Non-Operating Revenues (Expenses)		
Investment income	791,665	1,825,511
Interest expense	(96,715)	(132,081)
Total non-operating revenues (expenses)	<u>694,950</u>	<u>1,693,430</u>
Change in net assets	(778,272)	1,486,157
Net assets, beginning of year	<u>41,402,271</u>	<u>39,916,114</u>
Net assets, end of year	<u>\$ 40,623,999</u>	<u>\$ 41,402,271</u>

See accompanying notes to the financial statements.



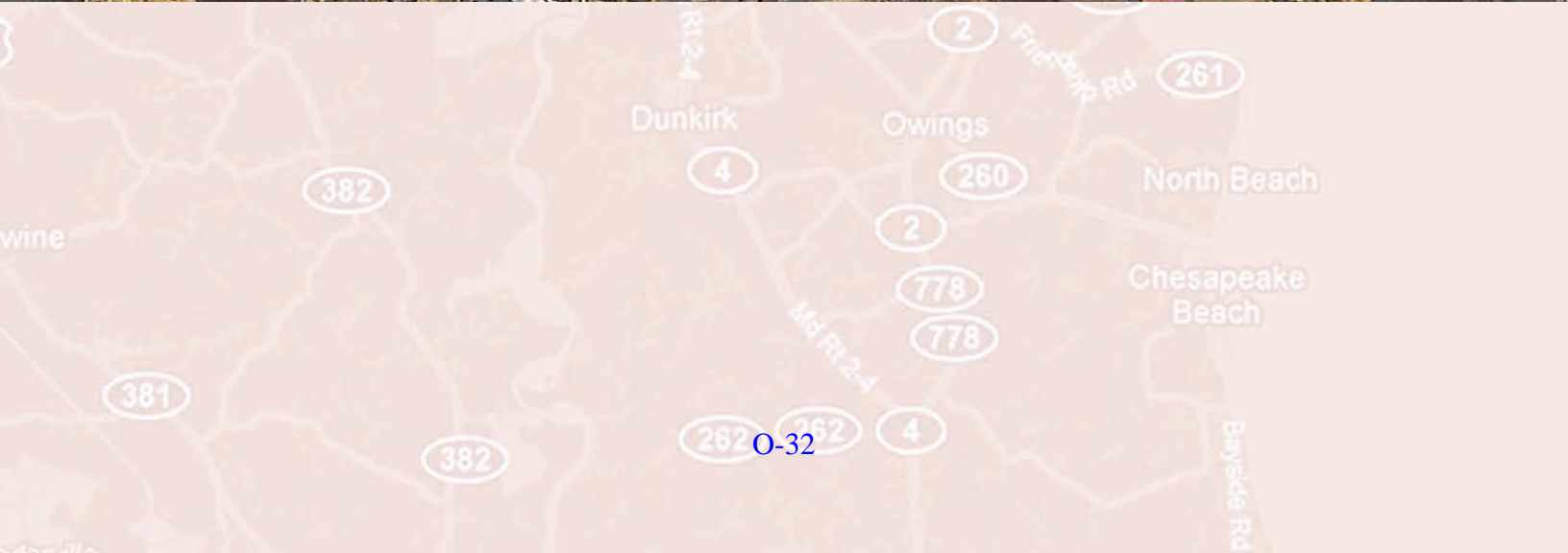
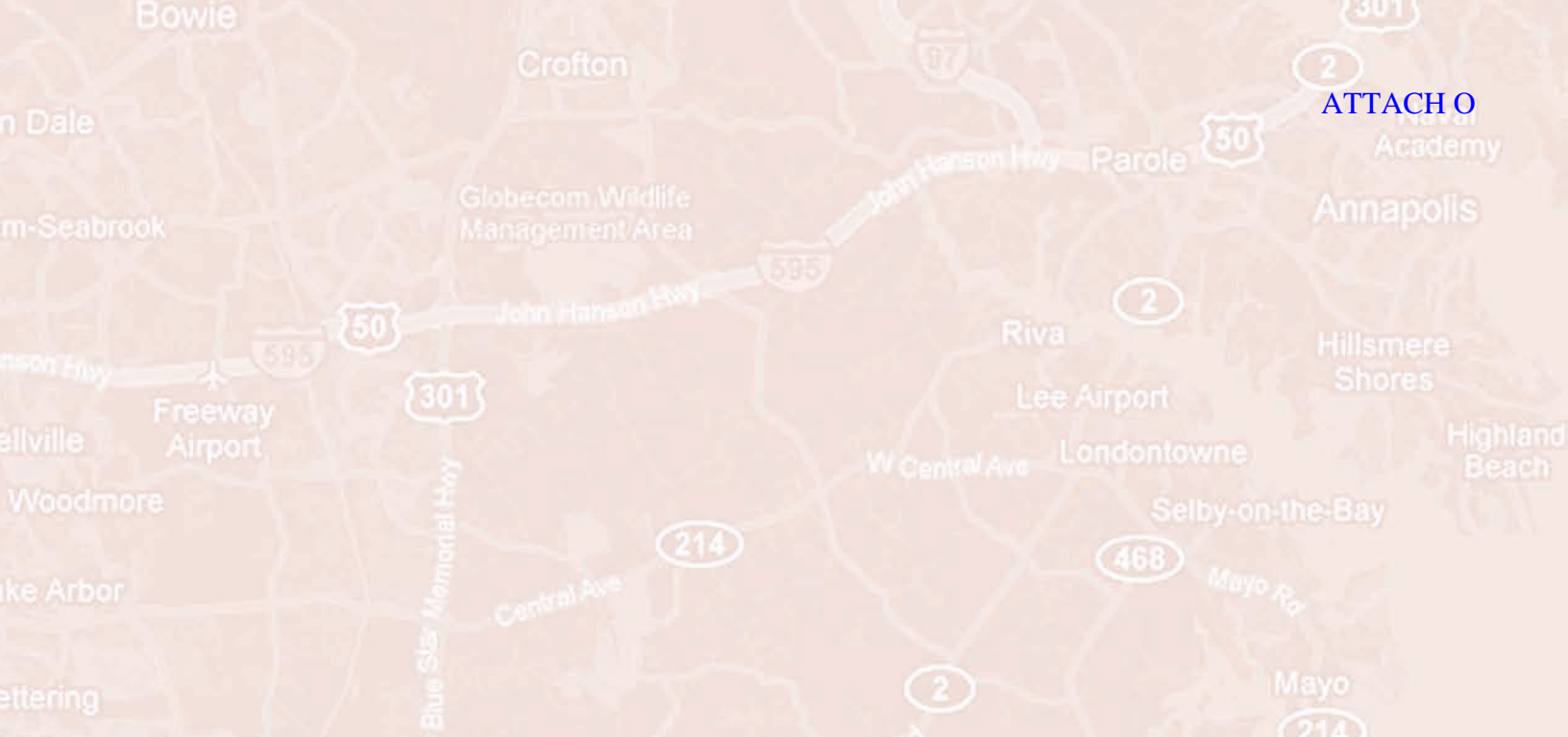
LOCAL GOVERNMENT INSURANCE TRUST

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Premiums collected	\$ 15,094,551	\$ 15,479,804
Other revenue collected	30,631	18,790
Recoveries of claims paid	1,053,295	645,263
Reinsurance premiums paid	(3,522,993)	(4,819,145)
Claims paid	(6,570,585)	(9,348,915)
General and administrative expenses paid	(4,336,843)	(4,269,894)
Net cash provided by (used in) operating activities	<u>1,748,056</u>	<u>(2,294,097)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>(436,752)</u>	<u>(269,881)</u>
Cash flows from investing activities:		
Purchase of investments	(32,949,683)	(21,323,618)
Proceeds from repurchase agreement	1,375,000	1,280,000
Proceeds from maturities of investments	26,573,955	17,798,195
Investment income received	742,760	2,173,438
Principal payments on notes	(105,000)	(50,000)
Interest expense paid	(94,493)	(126,640)
Net cash used in investing activities	<u>(4,457,461)</u>	<u>(248,625)</u>
Net decrease in cash and cash equivalents	(3,146,157)	(2,812,603)
Cash and cash equivalents, beginning of year	<u>8,591,866</u>	<u>11,404,469</u>
Cash and cash equivalents, end of year	<u>\$ 5,445,709</u>	<u>\$ 8,591,866</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating loss	\$ (1,473,222)	\$ (207,273)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	148,762	140,314
Effects of changes in operating assets and liabilities:		
Operating premiums receivable	(3,127)	37,293
Reinsurance recoverable on paid losses	383,596	(947,331)
Deposit in reinsurance pool	842,720	-
Other assets	103,521	(81,625)
Accounts payable and accrued expenses	(109,981)	(33,632)
Unpaid claims and related expenses	419,499	(1,208,238)
Other liabilities	1,436,288	6,395
Total adjustments	<u>3,221,278</u>	<u>(2,086,824)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,748,056</u>	<u>\$ (2,294,097)</u>
Noncash investing, capital and financing activities:		
Net unrealized loss in fair value of investments included in investment income	<u>\$ (228,843)</u>	<u>\$ (325,180)</u>

See accompanying notes to the financial statements.





Local Government Insurance Trust Notes to Financial Statements

Years Ended June 30, 2009 and 2008

NOTE 1 — ORGANIZATION AND PURPOSE

The Local Government Insurance Trust (Trust) is a joint association of Maryland local governments established in 1987 to provide an alternative to the diminishing availability of insurance coverages to the public sector and the increasing premium costs in the municipal insurance market. The Trust strives to provide coverage and risk management services at stable and competitive rates. The Trust is owned and directed by the local governments that subscribe to its coverages and operates under the terms of the seventh amended and restated Trust Agreement effective January 1, 2001.

The Trust's Board of Trustees (Board) is empowered to establish pools to provide coverage for any class of casualty, health, life or property related risks. As of June 30, 2009, the currently active pools are the following: the Primary Liability Pool (165 participants), the Property Pool (140 participants), and the Excess Liability Pool (122 participants). Membership in the pools is limited to local governments that are members of the Maryland Municipal League (MML) or Maryland Association of Counties (MACo). A participating local government may also sponsor a public entity within its district for participation in a pool. Each member agrees to comply with a plan of risk management as determined by the Trust. In the event a pool reports an operating deficit, the Trust may either assess the pool participants to cover the deficit or increase premiums.

The Primary Liability Pool (PLP) provides coverage for commercial general liability, police legal liability, public official's legal liability, and business automobile coverage. The maximum limit of liability to the PLP may not exceed \$1,000,000 for any one claim or occurrence per participant. The Property Pool provides coverage for property based on the determined insured values of the property. The Excess Liability Pool (ELP) has a maximum limit of \$5,000,000 for each occurrence and in the aggregate for occurrence-based coverage; and \$5,000,000 for each occurrence, and in the aggregate, for claims-made coverage. Participants in the ELP must either self-insure retention of \$1,000,000 or purchase primary liability coverage from the Trust. The Trust will not insure coverages over other commercial insurance companies. The financial statements include these pools as well as a general Operating Account and an Escrow Deposit Account.

In 1992, the Trust issued debt on behalf of a local government to fund its self-insurance liability pool. The Trust has no obligation in connection with this transaction; and therefore, this transaction is not reported in the financial statements of the Trust. At June 30, 2009 and 2008, the outstanding debt related to this transaction was approximately \$5,490,000 and \$6,675,000 respectively.

The income of the Trust is exempt from federal taxation under §115 of the Internal Revenue Code.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to public entity risk pools as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. In preparing its financial statements, the Trust has adopted paragraph 6 of GASB Statement No. 20 titled "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting" under which the Trust has applied only the applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989. The Trust distinguishes operating revenues and expenses from non-operating items. The principal operating revenues of the Trust are premiums charged to members for insurance coverage including special assessments, if any, net of premiums paid by the Trust for reinsurance. Operating expenses include incurred loss and loss adjustment expenses and general and administrative expenses. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Trust is not subject to statutory reporting requirements for insurance companies.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses. It also requires estimates in the disclosures of contingent assets and liabilities. Actual amounts could differ from these estimates.

Cash, Cash Equivalents and Investments

Cash equivalents represent investments with original maturities of three months or less at date of acquisition. The Trust's investments in money market funds and cash held in depository accounts are considered cash and cash equivalents and are stated at cost. All cash held in depository accounts is insured by the Federal Deposit Insurance Corporation. All other cash is held in short-term governmental bond money market funds. The money market funds all carry AAA ratings with the exception of the fund used by the external investment managers, which is not rated but possesses all the characteristics of an AAA rated fund. The Trust's long-term debt securities (original maturities of over one year at date of acquisition), and equity investments are stated at fair value. All other investments are stated at amortized cost, which approximates fair value.

Liability for Unpaid Claims and Related Expenses

The Trust establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. The Trust does not discount the liabilities for unpaid claims or loss adjustment expenses. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other socioeconomic factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Premiums and Dividends

Premiums are earned over the term of the related policies on a monthly pro rata basis. The annual policies are written by the Trust with an effective date of July 1. Special premium assessments and credits, if any, are recorded in the period in which they are approved by the Board.

Reinsurance

The Trust limits the maximum net loss that can arise from large risks by reinsuring (or ceding) certain levels of risk with the reinsurers under various reinsurance treaties. Ceded reinsurance is treated as the risk and liability of the reinsuring companies. Premiums and recoveries related to ceded reinsured business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Ceded premiums are recorded as reductions of premiums earned and related claim recoveries are recorded as reductions of incurred loss and loss adjustment expenses.

Capital Assets

All capital assets are carried at cost. All acquisitions of capital assets in excess of \$1,000 with a useful life in excess of one year and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Useful lives range from three to forty years.

Capitalization Contributions

The Trust classifies capitalization contributions as liabilities if it is probable that the contributions will be returned. Otherwise, the contributions are classified as deferred premium revenue and amortized over a period not to exceed ten years. As discussed in Note 8, effective July 1, 1998, the Trust no longer requires participants to make capital contributions.

■ NOTE 3 — CASH AND INVESTMENTS

Cash

The Trust maintains all of its cash and temporary investments in a commercial bank and three investment brokerages located in Baltimore, Maryland. Balances in depository accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Total cash and temporary investments held by these entities were \$5,595,631 and \$8,830,287 at June 30, 2009 and 2008, respectively.

Investments

There are no legal restrictions on the Trust's investments. The Trust's investments are held in an internally managed short-term portfolio and an externally managed long-term portfolio. Since these two portfolios are managed separately, each will be discussed separately on the following page.

In accordance with the Board's amended investment policy, permitted investments include, but are not limited to, U.S. Government and agency securities, corporate securities, and equities. These investments are insured, registered, or held by the Trust's custodian bank in the name of the Trust. The investments are reported at their fair values with changes in values included in investment income. The net unrealized change in the fair value of the investments included in investment income was a net depreciation of \$228,843 and \$325,180 for fiscal years 2009 and 2008, respectively.

As of June 30, 2009, and 2008, the Trust's investment policy for the long-term portfolio includes asset allocation targets of 76% for fixed income investments and 24% for equity investments. The targets also include a minimum percentage of 75% and a maximum percentage of 95% for fixed income and a 5% minimum and a 25% maximum for equities. The allocation policy for the short-term portfolio stipulates 100% fixed income. The carrying values of all the Trust's investments as of June 30, 2009 and 2008 are summarized in the following table.

	2009	Percentage of portfolio	2008	Percentage of portfolio
U.S. Treasury Securities	\$ 3,932,186	9.7%	\$ 7,787,719	21.7%
U.S. Governmental Agencies and Instrumentalities	16,976,451	41.7%	9,472,862	26.4%
Corporate Securities	11,975,759	29.4%	9,287,991	25.8%
Repurchase Agreement	1,475,000	3.6%	2,850,000	7.9%
Equities	6,351,963	15.6%	6,503,681	18.2%
Total	\$ 40,711,359	100%	\$ 35,902,253	100%

The following discussion and tables are provided to disclose the various risks associated with the Trust's investments. They are not intended to sum to the investment balances reported on the statements of net assets.

Interest rate risk - Short-term portfolio:

Generally, Trust management does not invest in securities maturing more than one year from the date of purchase, with the exception of \$2,740,000 of callable U.S. Government Agency Securities owned as of June 30, 2009. These securities carry coupon rates that are above market averages and are priced to their respective call dates; therefore the call dates are used for the average maturity value

calculation for this portfolio. If the final maturity date is used, the average maturity for the portfolio increases to 364 days. The funds invested in the short-term portfolio are intended to fund the operating activities of the Trust for a one-year period and the cash is invested accordingly to meet cash flow requirements. The following table lists the Trust's investments in the short-term portfolio as of June 30, 2009 and 2008 and their weighted average maturities.

	2009	Average Maturity	2008	Average Maturity
U.S. Government Agencies and Instrumentalities	\$ 7,784,716	217 days	\$ 2,550,000	351 days
Maryland Local Government Investment Pool	3,149,686	50 days	7,032,522	44 days
Repurchase Agreement	1,475,000	32 days	2,850,000	221 days
Money Market Funds	506,525	33 days	858,274	33 days
Total	\$ 12,915,927	148 days	\$ 13,290,796	140 days

Credit risk – Short-term portfolio:

The Trust places no limit on the amount invested in any one issuer. All investments in U.S. Government agencies and instrumentalities are explicitly guaranteed by the U.S. Government or are rated AAA by Standard & Poor's. The Maryland Local Government Investment Pool and the money market funds are also rated AAA by Standard and Poor's. The repurchase agreement is collateralized by U.S. Government Securities held by a trustee in the name of the Trust. The market value of the underlying securities was \$1,643,349 and \$3,074,148 as of June 30, 2009 and 2008, respectively. Such values were more than 103% of the repurchase agreement balance as required by the agreement.

Interest rate and credit risk – Long-term portfolio:

The Trust's investment policy for the long-term portfolio stipulates that the duration of the fixed income portion of the portfolio should remain in the range of plus or minus one year of the Barclay's Intermediate Government Credit Index. The maximum maturity of any fixed income investment is thirty years. The Trust's investment policy stipulates that the overall average quality of the portfolio should be at least "A" or better, as measured by Standard & Poor's or Moody's Investor Service. The quality of the Trust's fixed income investments along with their respective durations of the long-term portfolio as of June 30, 2009 and 2008 are shown in the following table. The duration information represents the time remaining until maturity for all securities including those securities with call schedules.

Quality	2009	Duration (Years)	2008	Duration (Years)
U.S. Treasury Securities	\$ 3,932,186	4.2	\$ 7,787,719	4.0
U.S. Government Agencies	9,191,735	4.0	6,922,862	3.2
Corporate Securities: AAA	1,654,154	2.1	1,579,450	3.4
AA	954,163	5.3	908,446	4.4
A	6,301,228	4.4	4,763,194	5.0
BBB	3,066,214	4.7	2,036,901	4.8
Cash & Equivalents	1,842,746	0	865,745	.1
Total	\$ 26,942,426	Avg. 3.7	\$ 24,864,317	Avg. 3.6

The Barclay's Intermediate Government Credit Index, the Trust's benchmark, had a duration of 3.8 years for both fiscal years 2009 and 2008, respectively. All investments in U.S. Government agencies and instrumentalities are explicitly guaranteed by the U.S. government or are rated AAA by Standard & Poor's.

The Trust invests in asset backed securities which total \$2,760,584 and \$2,754,765 as of June 30, 2009 and 2008, respectively. \$1,922,394 and \$1,647,007 of the asset backed securities are government asset backed securities and are reported in the previous schedule as U.S. Government Agency Securities as of June 30, 2009 and 2008, respectively. \$838,190 and \$1,107,758 of the asset backed securities are corporate asset backed securities and are reported in the previous schedule as part of the AAA rated securities as of June 30, 2009 and 2008, respectively. Asset backed securities are based on cash flows from the underlying assets, therefore making them sensitive to prepayments that may result from a decline in interest rates. The Trust's investment policy limits the amount invested in asset backed securities to no more than 50% of the fixed income portfolio.

Foreign Currency Risk:

The Trust's exposure to foreign currency risk derives from its positions in American Depositary Receipts (ADR) of foreign common stocks. ADRs are paper securities issued by U.S. banks. ADRs evidence the ownership of actual shares of foreign stocks held in the bank's foreign branches or with a foreign correspondent on behalf of the ADR holder. The Trust's investment balances in ADRs by country are shown in the following table for fiscal years 2009 and 2008. The Trust has no formal policy concerning foreign currency risk.

Country	2009	2008
United Kingdom	\$ 164,222	\$ 282,610
Japan	192,029	231,222
Australia	82,951	112,053
Netherlands	68,630	126,490
Spain	90,897	97,499
France	92,731	129,137
Germany	96,601	134,917
Singapore	42,275	-
Finland	-	29,828
Switzerland	38,546	60,323
Other	84,877	130,288
Total	\$ 953,759	\$ 1,334,367

NOTE 4 — CHANGE IN CAPITAL ASSETS

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
2009				
Assets - depreciated	\$ 5,043,339	\$ 65,804	\$ (29,963)	\$ 5,079,180
Assets - not depreciated:				
Land	-	252,408	-	252,408
Construction in Process	49,338	381,741	(263,203)	167,876
Accumulated Depreciation	(1,099,706)	(148,762)	29,963	(1,218,505)
Net Balance – Capital Assets	<u>\$ 3,992,971</u>	<u>\$ 551,191</u>	<u>\$ (293,166)</u>	<u>\$ 4,280,959</u>
2008				
Assets - depreciated	\$ 1,286,087	\$ 4,046,065	\$ (288,813)	\$ 5,043,339
Construction in Process – not depreciated	3,797,482	590,319	(4,338,463)	49,338
Accumulated Depreciation	(1,220,165)	(140,314)	260,773	(1,099,706)
Net Balance – Capital Assets	<u>\$ 5,083,569</u>	<u>\$ 4,636,384</u>	<u>\$ (4,627,276)</u>	<u>\$ 3,992,971</u>

NOTE 5 — UNPAID CLAIMS LIABILITIES AND RELATED EXPENSES

As described in Note 2, the Trust establishes a liability for both reported and unreported insured events, which includes estimates of future payments for both covered losses and related loss adjustment expenses. The following chart represents changes in those aggregate liabilities for the Trust during the past two fiscal years.

	2009	2008
Unpaid claims liabilities and related expenses at beginning of year	\$ 11,665,348	\$ 12,873,586
Incurring loss and loss adjustment expenses:		
Provision for insured events of the current year	7,499,814	7,365,131
(Decrease) in provision for insured events of prior year	(1,179,429)	(817,048)
Total incurred loss and loss adjustment expenses	6,320,385	6,548,083
Payments (net of recoveries)		
Loss and loss adjustment expenses attributable to:		
Insured events of the current year	2,400,780	2,103,746
Insured events of the prior year	3,500,106	5,652,575
Total payments	5,900,886	7,756,321
Unpaid claims liabilities and related expenses at end of year	\$ 12,084,847	\$ 11,665,348

Incurred losses and loss adjustments related to prior years decreased by approximately \$1,179,000 and \$817,000 in fiscal years 2009 and 2008, respectively, as a result of changes in estimates of losses and related expenses for claims. The changes in estimates are generally the result of ongoing analysis of loss development trends. Original estimates are adjusted as additional information becomes known regarding individual claims.

The liabilities for unpaid claims and claims adjustment expenses are net of expected reinsurance recoverable of \$1,958,740 and \$2,327,318 at June 30, 2009 and 2008, respectively.

NOTE 6 — NOTES PAYABLE

On April 5, 2007, \$4,260,000 of revenue bonds entitled "Maryland Economic Development Corporation, Variable Rate Revenue Bonds, Series 2007" (bonds) were issued on behalf of the Trust. The bonds covered the purchase price and estimated renovation costs of an office building to house the Trust's administrative staff. The bonds were issued through the Maryland Economic Development Corporation and bear interest at a variable rate that is reset weekly. The Manufacturers and Traders Trust Company (M&T) provided a five year letter of credit to secure the payment of the principal and interest of the bonds. M&T also serves as the remarketing agent.

	Beginning Balance	Additions	Repayments	Ending Balance	Due in One Year
June 30, 2009	4,210,000	0	105,000	4,105,000	110,000
June 30, 2008	4,260,000	0	50,000	4,210,000	105,000

The variable rate shall be equal to the minimum rate that, in the judgment of the remarketing agent, takes into account prevailing market conditions and enables the remarketing agent to sell all of the bonds at a price equal to the principal amount thereof, plus accrued interest, if any thereon. The variable rate may not exceed 10% per annum.

The final maturity of the bonds is June 1, 2032. A portion of the bonds is redeemed by the Trust on June 1 of each year. A schedule of the payments to maturity follows as of June 30, 2009. Interest payment amounts are based on .39%, the variable rate on the bonds as of June 30, 2009.

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 110,000	\$ 16,010	\$ 126,010
2011	115,000	15,581	130,581
2012	120,000	15,132	135,132
2013	125,000	14,664	139,664
2014	130,000	14,177	144,177
2015-2019	730,000	62,888	792,888
2020-2024	895,000	47,424	942,424
2025-2029	1,100,000	28,470	1,128,470
2030-2032	780,000	6,162	786,162
Total	\$ 4,105,000	\$ 220,508	\$ 4,325,508

■ NOTE 7 — RATE STABILIZATION FUND

The Board of Trustees declared a \$2,000,000 return of capital from the PLP for fiscal year 2009. The return of capital will be in the form of premium credits paid to pool members of good standing as of June 30, 2008. \$577,595 of rate stabilization credits were applied and shown as an offset to annual premiums on member invoices in fiscal year 2009. The return of capital will be applied in thirds over a three fiscal year period which commenced with fiscal year 2009. The rate stabilization fund has a remaining balance of \$1,422,405 as of June 30, 2009.

■ NOTE 8 — CAPITALIZATION CONTRIBUTIONS LIABILITY

The Trust's requirement for capitalization contributions from its participants was eliminated as of June 30, 1998. As of June 30, 2009 and 2008, respectively, the Trust holds \$1,640 of capital contributions in an interest bearing account on behalf of two participants who elected to leave their refund with the Trust. Interest earned on this account is returned to the two participants as a premium credit.

■ NOTE 9 — REINSURANCE

The Trust uses reinsurance agreements to reduce its exposure to certain large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as direct insurer of the risks reinsured. The Trust reduces liabilities related to reinsurance risk unless it is probable that those risks will not be covered by reinsurers. No allowances were considered necessary for fiscal years 2009 or 2008. The Trust does not generally require collateral to secure reinsurance recoveries, but periodically evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to minimize its exposures to significant losses from reinsurer insolvency.

Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured policy. Net reinsurance recoveries and pre-paid expenses amounted to \$2,001,492 and \$2,385,088 at June 30, 2009 and 2008, respectively. Ceded reinsurance premiums payable at June 30, 2009 and 2008 were \$80,510 and \$0, respectively. Ceded unearned premiums were \$0 at both June 30, 2009 and 2008.

The amount of recoveries related to the reinsurance contracts that were deducted from losses incurred for fiscal years 2009 and 2008 were \$188,535 and \$82,128, respectively.

The Trust is a member of NLC Mutual Insurance Company (NLC), a captive reinsurance pool whose members consist of certain state self-insurance pools. Each member of NLC is required to maintain an investment in NLC's capital account at certain prescribed

levels. The Trust's capital account is reflected in the statements of net assets as "Deposit with reinsurance pool" as it is probable that the contribution will be returned to the Trust upon withdrawal from the pool.

The Trust did not purchase reinsurance for the standard coverages offered in the PLP for fiscal years 2009 and 2008 and retains the entire \$1,000,000 per occurrence coverage limit provided by that pool.

For fiscal years 2009 and 2008, NLC reinsured 90% of the exposure of the Trust's ELP, which insures all losses over the PLP's coverage of \$1,000,000 with a maximum limit of liability of \$5,000,000.

In addition, the Trust also purchased reinsurance for the Property Pool from a private reinsurance carrier for fiscal years 2009 and 2008. The carrier covered any claim in excess of \$100,000. The Property Pool has no aggregate limitation coverage.

■ NOTE 10 — RISK MANAGEMENT

The Trust is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Trust participates in the property and primary liability pools offered by the Trust and carries commercial insurance for all other risks of loss, including worker's compensation and errors and omissions.

■ NOTE 11 — OPERATING LEASES

The Trust leases office facilities under a non-cancelable operating lease. Total cost for such lease was \$212,444 and \$206,245 for the years ended June 30, 2009 and 2008, respectively. The lease expires on November 1, 2009. The future minimum lease payments for this lease are as follows.

Year Ended June 30:

	2010
\$	71,509

■ NOTE 12 — CONTINGENCIES

The Trust is involved in a dispute with an insurance company that provides excess coverage over its Property Pool. The nature of the dispute relates to coverage amounts of an outstanding claim. The dispute has culminated in a suit by the Trust against the insurance company and others involved in the procurement of the policy. Based on consultation with legal counsel, management believes the Trust has a strong case; therefore a liability has not been recorded. If the Trust is unsuccessful in this matter, the amount of the loss would exceed the Property Pool's \$100 thousand loss retention level.



Local Government Insurance Trust

Explanation of Required Supplementary Information

Unaudited – See Accompanying Independent Auditors' Report

This section of the Financial Statements provides the reader with a broader understanding of the Trust's operations and its financial trends and conditions than is provided in the Basic Financial Statements. A reconciliation of claims liability by pool for the past two years, as well as claims development information for the last ten years are provided.

Reconciliation of Claims Liabilities and Related Expenses by Pool

The schedules on pages 32 and 33 present the changes in claims liabilities for the past two years for each of the Trust's pools.

Claims Development Information

The table on page 34 illustrates how the Trust's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of losses assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the past 10 fiscal years. The columns of the table show data for successive policy years. The rows of the table are defined as follows:

Premiums and investment revenue

Shows the total of each fiscal year's gross earned premiums and investment revenue, amounts of premiums ceded to reinsurers and net premiums and investment revenue earned.

Unallocated expenses

Represents each fiscal year's other operating costs not allocable to individual claims.

Estimated incurred loss and allocated loss expense, end of policy year

Shows the Trust's gross incurred claims and allocated claims adjustment expense, claims assumed by the reinsurers, and net incurred claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year).

Net paid claims (cumulative) as of

Represents the cumulative amounts paid (net of recoveries) as of the end of successive years for each policy year.

Re-estimated ceded losses and expenses

Represents the latest re-estimated amount of losses assumed by reinsurers as of the end of the current year for each policy year.

Re-estimated net incurred loss and allocated loss expense

Shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.

Increase (decrease) in estimated incurred loss and allocated loss expense from end of policy year

Compares the latest re-estimated net incurred claims amount to the original estimated incurred loss and allocated loss expense. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.



LOCAL GOVERNMENT INSURANCE TRUST

Required Supplementary Information

Reconciliation of Claims Liabilities and Related Expenses by Pool

For the Year Ended June 30, 2009

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
Unpaid claim liabilities and related expenses at beginning of year	\$ 11,124,233	\$ 541,115	\$ -	\$ 11,665,348
Incurred loss and loss adjustment expenses:				
Provision for insured events of the current year	6,696,891	802,923	-	7,499,814
Increase (decrease) in provision for insured events of prior years	(1,589,025)	409,596	-	(1,179,429)
Total incurred loss and loss adjustment expenses	5,107,866	1,212,519	-	6,320,385
Payments (net of recoveries)				
Loss and loss adjustment expenses attributable to:				
Insured events of the current year	1,864,695	536,085	-	2,400,780
Insured events of prior years	2,648,399	851,707	-	3,500,106
Total payments	4,513,094	1,387,792	-	5,900,886
Unpaid claim liabilities and related expenses at end of the year	\$ 11,719,005	\$ 365,842	\$ -	\$ 12,084,847

See explanation of required supplementary information on page 31.



LOCAL GOVERNMENT INSURANCE TRUST

Required Supplementary Information

Reconciliation of Claims Liabilities and Related Expenses by Pool

For the Year Ended June 30, 2008

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
Unpaid claim liabilities and related expenses at beginning of year	\$ 12,304,020	\$ 554,566	\$ 15,000	\$ 12,873,586
Incurred loss and loss adjustment expenses:				
Provision for insured events of the current year	6,538,255	826,877	-	7,365,132
Increase (decrease) in provision for insured events of prior years	(1,715,908)	913,859	(15,000)	(817,049)
Total incurred loss and loss adjustment expenses	4,822,347	1,740,736	(15,000)	6,548,083
Payments (net of recoveries)				
Loss and loss adjustment expenses attributable to:				
Insured events of the current year	1,717,173	386,573	-	2,103,746
Insured events of prior years	4,284,960	1,367,615	-	5,652,575
Total payments	6,002,134	1,754,187	-	7,756,321
Unpaid claim liabilities and related expenses at end of the year	\$ 11,124,233	\$ 541,115	\$ -	\$ 11,665,348

See explanation of required supplementary information on page 31.



LOCAL GOVERNMENT INSURANCE TRUST

Required Supplementary Information

Claims Development Information

Ten Years Ended June 30, 2000 through June 30, 2009

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Premiums and investment revenue:										
Earned, net of investment income	14,466,938	17,268,023	19,063,656	15,736,454	16,427,551	18,200,277	30,808,418	22,341,158	19,024,398	16,315,512
Ceded	(4,446,223)	(4,819,145)	5,225,249	4,634,559	4,496,753	4,595,293	4,678,077	1,902,873	2,222,454	1,950,915
Net earned	10,020,715	12,448,878	13,838,407	11,101,895	11,930,798	13,604,984	26,130,341	20,438,285	16,801,944	14,364,597
Allocated and unallocated expenses	4,412,519	4,301,347	4,018,944	3,727,726	3,862,037	4,057,678	4,207,488	4,243,746	3,890,807	1,219,613
Estimated incurred loss and allocated loss expense, end of policy year:										
Incurred	7,401,448	7,369,099	7,177,508	6,639,310	5,205,234	13,142,226	24,049,250	17,591,710	12,335,739	9,131,606
Ceded	98,367	3,967	76,221	299,194	22,779	1,513,174	431,174	291,660	191,061	242,512
Net incurred	7,499,815	7,365,132	7,101,287	6,340,116	5,182,455	11,629,052	23,618,076	17,300,050	12,144,678	8,889,094
Net paid claims (cumulative) as of:										
End of policy year	2,400,780	2,103,746	2,010,184	2,103,543	1,559,387	5,087,295	16,691,195	11,943,678	7,611,096	5,035,240
One year later		3,649,363	2,988,446	3,018,101	2,319,523	7,126,964	19,613,664	13,751,053	9,626,291	5,896,340
Two years later			3,318,761	3,710,554	2,682,366	7,648,130	19,931,841	14,049,313	10,169,222	6,173,894
Three years later				4,206,352	3,532,969	8,001,346	20,272,760	14,187,242	10,579,632	6,350,077
Four years later					3,995,160	8,379,975	20,838,046	14,979,969	11,217,588	6,431,117
Five years later						8,539,635	21,909,603	14,789,786	11,403,757	6,431,561
Six years later							22,357,870	15,151,571	11,410,993	6,457,772
Seven years later								15,206,379	11,496,835	6,474,339
Eight years later									11,496,843	7,965,307
Nine years later										7,968,746
Re-estimated ceded losses and expenses	98,367	87,845	385,610	411,413	150,583	1,703,126	7,307,274	1,795,396	1,295,011	343,063
Re-estimated net incurred loss and allocated loss expense:										
End of policy year	7,499,815	7,365,132	7,101,287	6,340,116	5,182,455	11,629,052	23,618,076	17,300,050	12,144,678	8,889,094
One year later		6,953,322	5,253,496	5,973,424	4,320,134	9,287,706	21,611,259	15,670,526	12,224,528	7,391,503
Two years later			4,771,776	5,445,069	4,489,094	8,838,556	21,267,724	14,758,379	11,685,269	6,890,770
Three years later				5,150,922	4,881,659	9,031,203	21,594,258	14,812,038	12,233,155	6,868,323
Four years later					4,673,400	8,781,572	21,360,855	15,195,590	11,664,643	6,869,484
Five years later						8,734,786	22,454,671	14,819,723	11,643,896	6,824,780
Six years later							22,663,538	15,015,508	11,472,169	6,814,034
Seven years later								15,092,543	11,344,253	7,909,471
Eight years later									11,344,262	8,167,544
Nine years later										8,144,924
Decrease in estimated net incurred loss and allocated loss expense from end of policy year		411,810	2,329,511	1,189,194	509,055	2,894,266	954,538	2,207,507	800,416	744,170

See explanation of required supplementary information on page 31.





LOCAL GOVERNMENT INSURANCE TRUST
Combining Schedule of Net Assets

June 30, 2009

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS						
Cash and cash equivalents	\$ 38,321,620	\$ 2,779,987	\$ 9,396,126	\$ (45,053,664)	\$ 1,640	\$ 5,445,709
Investments	-	-	-	40,711,359	-	40,711,359
Premiums receivable	1,886	3,371	1,544	-	-	6,801
Interest income receivable	-	-	-	376,497	-	376,497
Deposit with reinsurance pool	2,490,688	1,233,291	1,725,443	-	-	5,449,422
Reinsurance recoverable on paid losses	42,752	1,958,740	-	-	-	2,001,492
Due from (to) other pools/accounts	(2,832,825)	(643,792)	(266,739)	3,743,356	-	-
Capital assets	-	-	-	4,280,959	-	4,280,959
Other assets	-	-	-	221,035	-	221,035
Total assets	38,024,121	5,331,597	10,856,374	4,279,542	1,640	58,493,274
LIABILITIES						
Accounts payable and accrued expenses	-	68,311	12,199	74,186	-	154,696
Unpaid claims and related expenses	11,719,005	365,842	-	-	-	12,084,847
Notes payable	-	-	-	4,105,000	-	4,105,000
Interest payable	-	-	-	1,207	-	1,207
Rate stabilization fund	1,422,405	-	-	-	-	1,422,405
Capitalization contributions	-	-	-	-	1,640	1,640
Other liabilities	331	-	-	99,149	-	99,480
Total liabilities	13,141,741	434,153	12,199	4,279,542	1,640	17,869,275
NET ASSETS						
Invested in capital assets, net of related debt	-	-	-	324,472	-	324,472
Unrestricted, net assets	24,882,380	4,897,444	10,844,175	(324,472)	-	40,299,527
Total net assets	\$ 24,882,380	\$ 4,897,444	\$ 10,844,175	\$ -	\$ -	\$ 40,623,999

See accompanying notes to supplementary combining schedules.



LOCAL GOVERNMENT INSURANCE TRUST
Combining Schedule of Net Assets
 June 30, 2008

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS						
Cash and cash equivalents	\$ 36,405,938	\$ 2,147,860	\$ 8,621,776	\$ (38,585,348)	\$ 1,640	\$ 8,591,866
Investments	-	-	-	35,902,253	-	35,902,253
Premiums receivable	2,572	1,102	-	-	-	3,674
Interest income receivable	-	-	-	361,616	-	361,616
Deposit with reinsurance pool	2,455,996	1,174,563	2,437,142	-	-	6,067,701
Reinsurance recoverable on paid losses	57,770	2,327,318	-	-	-	2,385,088
Due from (to) other pools/accounts	(1,678,685)	(655,174)	(54,561)	2,388,420	-	-
Capital assets	-	-	-	3,992,971	-	3,992,971
Other assets	-	-	-	331,013	-	331,013
Total assets	<u>37,243,591</u>	<u>4,995,669</u>	<u>11,004,357</u>	<u>4,390,925</u>	<u>1,640</u>	<u>57,636,182</u>
LIABILITIES						
Accounts payable and accrued expenses	61,750	60,434	53,483	90,217	-	265,884
Unpaid claims and related expenses	11,124,233	541,115	-	-	-	11,665,348
Notes payable	-	-	-	4,210,000	-	4,210,000
Interest payable	-	-	-	5,442	-	5,442
Capitalization contributions	-	-	-	-	1,640	1,640
Other liabilities	331	-	-	85,266	-	85,597
Total liabilities	<u>11,186,314</u>	<u>601,549</u>	<u>53,483</u>	<u>4,390,925</u>	<u>1,640</u>	<u>16,233,911</u>
NET ASSETS						
Invested in capital assets, net of related debt	-	-	-	160,390	-	160,390
Unrestricted, net assets	26,057,277	4,394,120	10,950,874	(160,390)	-	41,241,881
Total net assets	<u>\$ 26,057,277</u>	<u>\$ 4,394,120</u>	<u>\$ 10,950,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,402,271</u>

See accompanying notes to supplementary combining schedules.



LOCAL GOVERNMENT INSURANCE TRUST
Combining Schedule of Revenues, Expenses and
Changes in Net Assets
Year Ended June 30, 2009

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 8,836,851	\$ 5,887,969	\$ 950,453	\$ -	\$ -	\$ 15,675,273
Less: premium credits	(2,000,000)	-	-	-	-	(2,000,000)
reinsurance premiums	-	(3,569,230)	(876,993)	-	-	(4,446,223)
Net premiums earned	6,836,851	2,318,739	73,460	-	-	9,229,050
Other Revenues	-	-	-	30,631	-	30,631
Total operating revenues	6,836,851	2,318,739	73,460	30,631	-	9,259,681
OPERATING EXPENSES						
Incurred loss and loss adjustment expenses:						
Paid (net of recoveries)	4,513,094	1,387,792	-	-	-	5,900,886
Change in liability for unpaid claims						
and related expenses	594,772	(175,274)	-	-	-	419,498
General and administrative expenses	105,748	17,833	44,441	4,244,497	-	4,412,519
Total operating expenses	5,213,614	1,230,351	44,441	4,244,497	-	10,732,903
Operating income (loss)	1,623,237	1,088,388	29,019	(4,213,866)	-	(1,473,222)
NON-OPERATING REVENUES (EXPENSES)						
Investment income	34,691	58,728	131,021	567,225	-	791,665
Interest expense	-	-	-	(96,715)	-	(96,715)
Allocations of operating account revenues (note 2)	457,585	36,088	104,183	(597,856)	-	-
Allocations of operating account expenses (note 2)	(3,290,410)	(679,880)	(370,922)	4,341,212	-	-
Total non-operating revenues (expenses)	(2,798,134)	(585,064)	(135,718)	4,213,866	-	694,950
Change in net assets	(1,174,897)	503,324	(106,699)	-	-	(778,272)
Net assets, beginning of year	26,057,277	4,394,120	10,950,874	-	-	41,402,271
Net assets, end of year	\$ 24,882,380	\$ 4,897,444	\$ 10,844,175	\$ -	\$ -	\$ 40,623,999

See accompanying notes to supplementary combining schedules.



LOCAL GOVERNMENT INSURANCE TRUST
Combining Schedule of Revenues, Expenses and
Changes in Net Assets
 Year Ended June 30, 2008

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 8,075,849	\$ 6,365,713	\$ 1,000,950	\$ -	\$ -	\$ 15,442,512
Less: reinsurance premiums	-	(3,869,057)	(950,088)	-	-	(4,819,145)
Net premiums earned	8,075,849	2,496,656	50,862	-	-	10,623,367
Other Revenues	-	-	-	18,790	-	18,790
Total operating revenues	8,075,849	2,496,656	50,862	18,790	-	10,642,157
OPERATING EXPENSES						
Incurred loss and loss adjustment expenses:						
Paid (net of recoveries)	6,002,134	1,754,187	-	-	-	7,756,321
Change in liability for unpaid claims						
and related expenses	(1,179,786)	(13,452)	(15,000)	-	-	(1,208,238)
General and administrative expenses	104,200	50,973	45,535	4,100,639	-	4,301,347
Total operating expenses	4,926,548	1,791,708	30,535	4,100,639	-	10,849,430
Operating income (loss)	3,149,301	704,948	20,327	(4,081,849)	-	(207,273)
NON-OPERATING REVENUES (EXPENSES)						
Investment income (loss)	(168,045)	-	168,045	1,825,511	-	1,825,511
Interest expense	-	-	-	(132,081)	-	(132,081)
Allocations of operating account revenues (note 2)	1,312,517	103,405	296,298	(1,712,220)	-	-
Allocations of operating account expenses (note 2)	(2,991,202)	(758,578)	(350,859)	4,100,639	-	-
Total non-operating revenues (expenses)	(1,846,730)	(655,173)	113,484	4,081,849	-	1,693,430
Change in net assets	1,302,571	49,775	133,811	-	-	1,486,157
Net assets, beginning of year	24,754,706	4,344,345	10,817,063	-	-	39,916,114
Net assets, end of year	\$ 26,057,277	\$ 4,394,120	\$ 10,950,874	\$ -	\$ -	\$ 41,402,271

See accompanying notes to supplementary combining schedules.



LOCAL GOVERNMENT INSURANCE TRUST
Combining Schedule of Cash Flows
 Year Ended June 30, 2009

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:						
Premiums collected	\$ 8,259,942	\$ 5,885,700	\$ 948,909	\$ -	\$ -	\$ 15,094,551
Other revenue collected	-	-	-	30,631	-	30,631
Recoveries of claims paid	624,279	429,016	-	-	-	1,053,295
Reinsurance premiums paid	-	(3,500,919)	(22,074)	-	-	(3,522,993)
Claims paid	(5,122,355)	(1,448,230)	-	-	-	(6,570,585)
General and administrative expenses paid	(167,498)	(78,266)	(97,924)	(3,993,155)	-	(4,336,843)
Net cash provided by (used in) operating activities	3,594,368	1,287,301	828,911	(3,962,524)	-	1,748,056
Cash flows from non-capital financing activities:						
Transfers from (to) other pools/accounts	(1,678,686)	(655,174)	(54,561)	2,388,421	-	-
Net cash provided by (used in) non-capital financing activities	(1,678,686)	(655,174)	(54,561)	2,388,421	-	-
Cash flows from capital and related financing activities:						
Purchase of capital assets	-	-	-	(436,752)	-	(436,752)
Net cash flows from capital and related financing activities	-	-	-	(436,752)	-	(436,752)
Cash flows from investing activities:						
Purchase of investments	-	-	-	(32,949,683)	-	(32,949,683)
Proceeds from repurchase agreement	-	-	-	1,375,000	-	1,375,000
Principal payments on notes	-	-	-	(105,000)	-	(105,000)
Interest expense paid	-	-	-	(94,493)	-	(94,493)
Proceeds from maturities of investments	-	-	-	26,573,955	-	26,573,955
Investment income received	-	-	-	742,760	-	742,760
Net cash used in investing activities	-	-	-	(4,457,461)	-	(4,457,461)
Net Change in cash and cash equivalents	1,915,682	632,127	774,350	(6,468,316)	-	(3,146,157)
Cash and cash equivalents, beginning of year	36,405,938	2,147,860	8,621,776	(38,585,348)	1,640	8,591,866
Cash and cash equivalents, end of year	\$ 38,321,620	\$ 2,779,987	\$ 9,396,126	\$ (45,053,664)	\$ 1,640	\$ 5,445,709
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 1,623,237	\$ 1,088,388	\$ 29,019	\$ (4,213,866)	\$ -	\$ (1,473,222)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	-	-	-	148,762	-	148,762
Effects of changes in operating assets and liabilities:						
Operating premiums receivable	686	(2,269)	(1,544)	-	-	(3,127)
Reinsurance recoverable on paid losses	15,018	368,578	-	-	-	383,596
Deposit in reinsurance pool	-	-	842,720	-	-	842,720
Other assets	-	-	-	103,521	-	103,521
Operating accounts payable and accrued expenses	(61,750)	7,877	(41,284)	(14,824)	-	(109,981)
unpaid claims and related expenses	594,772	(175,273)	-	-	-	419,499
Other liabilities	1,422,405	-	-	13,883	-	1,436,288
Total adjustments	1,971,131	198,913	799,892	251,342	-	3,221,278
Net cash provided by (used in) operating activities	\$ 3,594,368	\$ 1,287,301	\$ 828,911	\$ (3,962,524)	\$ -	\$ 1,748,056

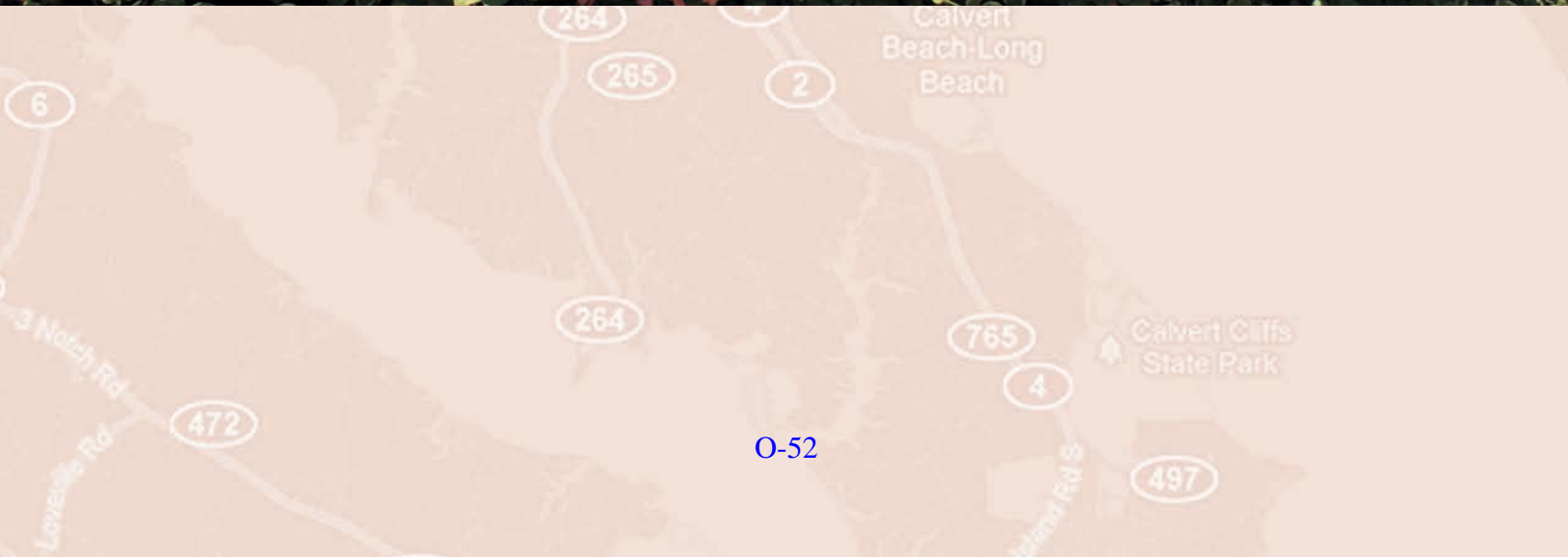
See accompanying notes to supplementary combining schedules.



LOCAL GOVERNMENT INSURANCE TRUST
Combining Schedule of Cash Flows
 Year Ended June 30, 2008

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:						
Premiums collected	\$ 8,087,707	\$ 6,391,078	\$ 1,001,019	\$ -	\$ -	\$ 15,479,804
Other revenue collected	-	-	-	18,790	-	18,790
Recoveries of claims paid	484,016	161,247	-	-	-	645,263
Reinsurance premiums paid	-	(3,869,057)	(950,088)	-	-	(4,819,145)
Claims paid	(6,520,771)	(2,828,144)	-	-	-	(9,348,915)
General and administrative expenses paid	(60,000)	-	-	(4,209,894)	-	(4,269,894)
Net cash provided by (used in) operating activities	1,990,952	(144,876)	50,931	(4,191,104)	-	(2,294,097)
Cash flows from non-capital financing activities:						
Transfers from (to) other pools/accounts	(565,208)	(397,718)	224,347	738,579	-	-
Net cash provided by (used in) non-capital financing activities	(565,208)	(397,718)	224,347	738,579	-	-
Cash flows from capital and related financing activities:						
Purchase of capital assets	-	-	-	(269,881)	-	(269,881)
Net cash flows from capital and related financing activities	-	-	-	(269,881)	-	(269,881)
Cash flows from investing activities:						
Purchase of investments	-	-	-	(21,323,618)	-	(21,323,618)
Proceeds from repurchase agreement	-	-	-	1,280,000	-	1,280,000
Principal payments on notes	-	-	-	(50,000)	-	(50,000)
Interest expense paid	-	-	-	(126,640)	-	(126,640)
Proceeds from maturities of investments	-	-	-	17,798,195	-	17,798,195
Investment income received	-	-	-	2,173,438	-	2,173,438
Net cash used in investing activities	-	-	-	(248,625)	-	(248,625)
Net increase (decrease) in cash and cash equivalents	1,425,744	(542,594)	275,278	(3,971,031)	-	(2,812,603)
Cash and cash equivalents, beginning of year	34,980,194	2,690,454	8,346,498	(34,614,317)	1,640	11,404,469
Cash and cash equivalents, end of year	\$ 36,405,938	\$ 2,147,860	\$ 8,621,776	\$ (38,585,348)	\$ 1,640	\$ 8,591,866
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 3,149,301	\$ 704,948	\$ 20,327	\$ (4,081,849)	\$ -	\$ (207,273)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	-	-	-	140,314	-	140,314
Effects of changes in operating assets and liabilities:						
Operating premiums receivable	11,859	25,365	69	-	-	37,293
Reinsurance recoverable on paid losses	(34,621)	(912,710)	-	-	-	(947,331)
Other assets	-	-	-	(81,625)	-	(81,625)
Operating accounts payable and accrued expenses	44,200	50,972	45,535	(174,339)	-	(33,632)
Unpaid claims and related expenses	(1,179,787)	(13,451)	(15,000)	-	-	(1,208,238)
Other liabilities	-	-	-	6,395	-	6,395
Total adjustments	(1,158,349)	(849,824)	30,604	(109,255)	-	(2,086,824)
Net cash provided by (used in) operating activities	\$ 1,990,952	\$ (144,876)	\$ 50,931	\$ (4,191,104)	\$ -	\$ (2,294,097)

See accompanying notes to supplementary combining schedules.





Local Government Insurance Trust
Notes to Supplementary Combining Schedules
 Years Ended June 30, 2009 and 2008

■ **NOTE 1 — DESCRIPTION OF POOL COVERAGES**

The pools provide insurance coverage in the following areas up to the indicated limits:

Primary Liability Pool Coverage

POOL COVERAGE	COVERAGE LIMITS		
Commercial general liability			
Bodily injury; property damage and personal injury	\$	2,000,000	annual aggregate
Medical payments	\$	5,000	each person
Fire legal liability	\$	1,000,000	per occurrence
Products and completed operations per participant	\$	1,000,000	annual aggregate
Police legal liability	\$	1,000,000	each wrongful act and annual aggregate
Public officials legal liability	\$	1,000,000	each error or omission act and annual aggregate
Business automobile coverage			
Liability insurance	\$	1,000,000	per occurrence
Garage keepers			
Comprehensive	\$	1,000,000	per occurrence
Collision	\$	1,000,000	per occurrence

The public officials legal liability and police legal liability coverages are on a claims made basis with limited coverage for unknown acts prior to July 1, 1987 and provide for coverage under an extended discovery period in the event of participant cancellation.

The maximum limit of liability to the Primary Liability Pool (PLP) may not exceed \$1,000,000 for any one claim or occurrence per participant, regardless of any applicable primary liability coverage.

Property Pool Coverage

The pool shall not be liable for more than the insured value of the property covered with limits not to exceed the blanket values declared per entity in any one occurrence, except:

- A. \$5,000,000 per entity per occurrence and annual aggregate with respect to the peril of flood
- B. \$5,000,000 per entity per occurrence and annual aggregate with respect to the peril of earthquake

The Trust also offers Boiler and Machinery coverage with limits not to exceed the blanket building and contents limit. The Trust reinsures 100% of the related risk.

Excess Liability Pool Coverage

The maximum limit of liability to the Excess Liability Pool (ELP) is \$5,000,000 for each occurrence and in the aggregate for occurrence-based coverage; and \$5,000,000 for each occurrence, and in the aggregate, for claims-made coverage. Participants in the ELP must either self-insure retention of \$1,000,000 or purchase primary liability coverages from the Trust. The Trust will not insure coverages over other commercial insurance companies.

Pool Membership

Membership in each pool consists of counties, municipalities, and others, which include sponsored entities as well as the founders of the Trust, the Maryland Municipal League, and the Maryland Association of Counties. The following represents the participants for fiscal year 2009 and 2008.

	POOL TOTALS		COUNTIES		MUNICIPALITIES		OTHER	
	2009	2008	2009	2008	2009	2008	2009	2008
Primary	165	165	13	13	130	129	22	23
Property	140	139	16	16	109	108	11	11
Excess	122	121	14	14	84	83	17	17

■ NOTE 2 — DESCRIPTION OF ACCOUNTS

Operating Account

The pools have been established to account for all premiums, claims and administrative costs attributable to the particular coverages. Administrative costs not specifically identified with a particular pool, investments, investment income and other undesignated income are accounted for in the operating account. Under the Trust Agreement, amounts necessary to fund operating expenses are transferred from the various pools to the operating account.

To accomplish this, each pool was allocated a portion of the revenues and expenses accumulated within the operating account for fiscal years 2009 and 2008. The expense amounts allocated to each pool were determined based on a time study among Trust personnel and related judgments considered by management to be relevant under the circumstances. Additionally, the revenue amounts allocated to each pool were in proportion to the pools share of cash and investments.

Escrow Deposit Account

This account holds capitalization contributions. See Note 8 of the notes to the basic financial statements.

■ NOTE 3 — RECLASSIFICATIONS

Certain fiscal year 2008 amounts have been reclassified to conform to fiscal year 2009 presentations.

A photograph of the Visitors' Center at Sailwinds Park in Cambridge. The building is a modern structure with large glass windows and a prominent, tall, white, sail-like structure that rises from the roof. The building is situated on a grassy hill with some shrubs in the foreground. The sky is blue with some light clouds.

Visitors' Center at Sailwinds Park , Cambridge

Statistical Section

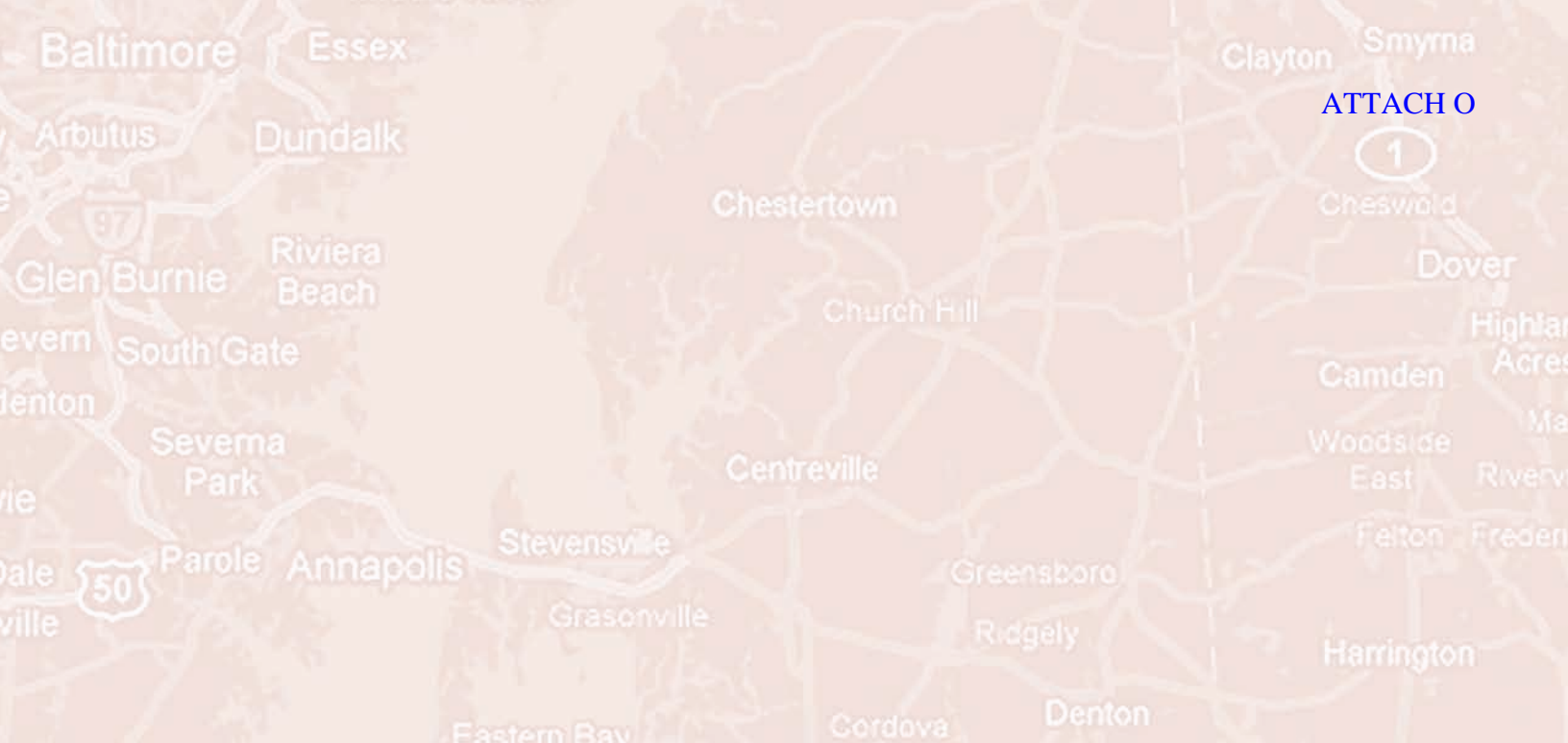
Comparative Schedule of Revenues, Expenses and Changes in Net Assets

Member Growth Analysis

Loss History and Average Claim Costs

Reported Claim Activity

Loss Development





LOCAL GOVERNMENT INSURANCE TRUST

Comparative Schedule of Revenues, Expenses and Changes in Net Assets

Ten Years Ended June 30, 2000 through June 30, 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES										
Gross premiums earned (1)	\$ 13,544,598	\$ 14,858,882	\$ 19,767,355	\$ 28,357,692	\$ 16,819,650	\$ 14,194,556	\$ 14,529,842	\$ 15,633,332	\$ 15,442,512	\$ 15,675,273
Less: premium credits	-	-	-	-	-	-	-	-	-	(2,000,000)
reinsurance premiums	(1,950,915)	(2,222,454)	(1,902,873)	(4,678,077)	(4,595,293)	(4,496,753)	(4,634,559)	(5,225,249)	(4,819,145)	(4,446,223)
Net premiums earned	11,593,683	12,636,428	17,864,482	23,679,615	12,224,357	9,697,803	9,895,283	10,408,083	10,623,367	9,229,050
Other	241,639	122,780	108,837	81,176	29,982	11,155	139,664	28,080	18,790	30,631
Total operating revenues	11,835,322	12,759,208	17,973,319	23,760,791	12,254,339	9,708,958	10,034,947	10,436,163	10,642,157	9,259,681
Operating Expenses										
Incurred loss and										
loss adjustment expenses: (1)										
Paid (net of recoveries)	8,111,906	9,708,540	14,880,567	20,286,604	8,900,422	5,189,496	4,767,401	4,295,809	7,756,321	5,900,886
Change in liability for unpaid										
claims and related expenses	(545,473)	465,928	2,524,473	(105,304)	148,561	(2,845,277)	664,342	3,117,010	(1,208,238)	419,498
General and administrative	3,239,074	3,165,918	3,577,015	4,152,180	4,057,678	3,862,037	3,727,726	4,018,944	4,301,347	4,412,519
Total operating expenses	10,805,507	13,340,386	20,982,055	24,333,480	13,106,661	6,206,256	9,159,469	11,431,763	10,849,430	10,732,903
Operating income	1,029,815	(581,178)	(3,008,736)	(572,689)	(852,322)	3,502,702	875,478	(995,600)	(207,273)	(1,473,222)
NON-OPERATING REVENUES										
(EXPENSES)										
Investment income	2,770,914	4,165,516	2,573,803	2,450,726	1,380,627	2,232,995	1,206,612	3,430,324	1,825,511	791,665
Less: credits to participants	-	-	-	-	-	(3,000,000)	-	-	-	-
Net investment income	2,770,914	4,165,516	2,573,803	2,450,726	1,380,627	(767,005)	1,206,612	3,430,324	1,825,511	791,665
Interest expense	(777,592)	(724,889)	(668,428)	(55,308)	-	-	-	-	(132,081)	(96,715)
Total non-operating revenues										
(expenses)	1,993,322	3,440,627	1,905,375	2,395,418	1,380,627	(767,005)	1,206,612	3,430,324	1,693,430	694,950
Change in net assets	3,023,137	2,859,449	(1,103,361)	1,822,729	528,305	2,735,697	2,082,090	2,434,724	1,486,157	(778,272)
Total net assets beginning of year	25,533,344	28,556,481	31,415,930	30,312,569	32,135,298	32,663,603	35,399,300	37,481,390	39,916,114	41,402,271
Total net assets end of year	\$ 28,556,481	\$ 31,415,930	\$ 30,312,569	\$ 32,135,298	\$ 32,663,603	\$ 35,399,300	\$ 37,481,390	\$ 39,916,114	\$ 41,402,271	\$ 40,623,999

(1) The Health Pool was closed as of June 30, 2004 causing the significant reduction in premiums earned and loss adjustment expenses in the following year.



LOCAL GOVERNMENT INSURANCE TRUST
Member Growth Analysis

Ten Years Ended June 30, 2000 through June 30, 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total number of members	168	180	189	190	178	168	171	175	175	175
Total employees	33	34	36	37	35	34	34	33	33	32
Total annual payroll	\$ 1,473,272	\$ 1,734,376	\$ 1,843,969	\$ 2,015,206	\$ 2,127,280	\$ 2,011,348	\$ 2,092,382	\$ 2,184,271	\$ 2,299,309	\$ 2,360,333
Total net premiums earned	\$ 11,593,683	\$ 12,636,428	\$ 17,864,482	\$ 23,679,615	\$ 12,224,357	\$ 9,697,803	\$ 9,895,283	\$ 10,408,083	\$ 10,623,367	\$ 7,229,050
Total number of claims	1,342	1,365	1,504	1,723	1,760	1,474	1,538	1,563	1,544	1,517
Total net reported losses	\$ 7,999,935	\$ 11,496,834	\$ 15,370,365	\$ 22,214,107	\$ 8,574,445	\$ 4,368,946	\$ 4,659,431	\$ 3,968,153	\$ 3,749,371	\$ 4,275,660

Total reported losses represent paid losses plus case base reserves.

The Health Pool was closed as of June 30, 2004 causing the reduction of the number of members and reported losses.



LOCAL GOVERNMENT INSURANCE TRUST
Loss History and Average Claims Costs
 Ten Years Ended June 30, 2000 through June 30, 2009

During the last ten years, the Trust has incurred the following reported losses (paid claims plus case reserves) resulting from claims incurred by pool members. These figures do not include incurred but not reported claims.

Total Reported Losses

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Auto Liability	\$ 532,107	\$ 1,252,019	\$ 1,038,631	\$ 1,073,987	\$ 1,448,856	\$ 1,039,112	\$ 1,307,604	\$ 952,935	\$ 1,310,329	\$ 843,878
Auto Physical	551,380	543,258	674,224	852,518	754,023	746,768	798,669	927,564	1,106,865	1,144,703
General Liability	2,601,597	1,962,238	1,761,250	1,432,552	1,911,139	1,921,189	1,620,620	975,073	1,184,550	498,555
Property	321,886	516,935	513,204	2,741,058	1,142,080	621,100	1,025,000	1,217,766	1,582,831	1,788,524
Excess	102,689	-	-	-	-	-	-	-	-	-
Health	3,869,309	7,222,393	11,445,826	16,404,499	3,366,153	-	-	-	-	-
Total	<u>\$ 7,978,968</u>	<u>\$ 11,496,843</u>	<u>\$ 15,433,135</u>	<u>\$ 22,504,614</u>	<u>\$ 8,622,251</u>	<u>\$ 4,328,169</u>	<u>\$ 4,751,893</u>	<u>\$ 4,073,338</u>	<u>\$ 5,184,575</u>	<u>\$ 4,275,660</u>

Average Cost per Claim

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Auto Liability	\$ 1,608	\$ 3,975	\$ 3,308	\$ 2,397	\$ 3,696	\$ 2,969	\$ 3,229	\$ 2,456	\$ 3,650	\$ 2,136
Auto Physical	2,057	2,081	1,598	2,147	1,866	1,663	2,032	2,012	2,385	2,313
General Liability	4,116	2,869	2,705	1,968	2,640	3,406	2,605	1,723	2,067	957
Property	3,353	5,385	4,888	22,105	4,944	6,470	11,389	9,088	11,306	18,438
Excess	6,846	-	-	-	-	-	-	-	-	-

Note: Since the Health Benefits Pool began in 1991, the plans offered have been administered by various outside contractors. As such, the claims count data is unavailable for the Health Benefits Pool.



LOCAL GOVERNMENT INSURANCE TRUST

Reported Claim Activity

Ten Years Ended June 30, 2000 through June 30, 2009

The Trust has incurred the following number of reported claims during the last ten years.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Auto Liability	331	315	314	448	392	350	405	388	359	395
Auto Physical	268	261	422	397	404	449	393	461	464	495
General Liability	632	684	651	728	724	564	622	566	573	521
Property	96	96	105	124	231	96	90	134	140	97
Excess	15	9	12	26	9	15	28	14	8	9
Total	1,342	1,365	1,504	1,723	1,760	1,474	1,538	1,563	1,544	1,517
Closed Claims	984	1,013	1,151	1,316	1,298	1,056	1,080	852	1,076	1,118
Open Claims	358	352	353	407	462	418	458	711	468	399
Total	1,342	1,365	1,504	1,723	1,760	1,474	1,538	1,563	1,544	1,517
Prior year claims closed	282	380	374	573	663	576	624	967	787	397
Current year claims closed	984	1,013	1,151	1,316	1,298	1,056	1,080	852	1,076	1,118
Total claims closed during year	1,266	1,393	1,525	1,889	1,961	1,632	1,704	1,819	1,863	1,515
Number of Members	168	180	189	190	178	168	171	175	175	175

Note: Since the Health Benefits Pool began in 1991, the plans offered have been administered by various outside contractors. As such, the claims count data is unavailable for the Health Benefits Pool.



LOCAL GOVERNMENT INSURANCE TRUST

Loss Development

Ten Years Ended June 30, 2000 through June 30, 2009

Paid Losses as of June 30

CLAIM YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2000	\$ 5,035,240	\$ 5,896,340	\$ 6,173,894	\$ 6,350,077	\$ 6,431,117	\$ 6,431,561	\$ 6,457,772	\$ 6,474,339	\$ 7,965,307	\$ 7,968,746
2001	-	7,611,096	9,626,291	10,169,222	10,579,632	11,217,588	11,403,757	11,410,993	11,496,834	11,496,843
2002	-	-	11,943,678	13,751,053	14,049,313	14,187,242	14,979,969	15,043,708	15,151,571	15,206,379
2003	-	-	-	16,691,195	19,613,664	19,931,841	20,272,760	20,838,046	21,909,603	22,357,870
2004	-	-	-	-	5,087,295	7,126,964	7,648,130	8,001,345	8,379,974	8,539,635
2005	-	-	-	-	-	1,559,387	2,319,523	2,682,366	3,532,968	3,995,160
2006	-	-	-	-	-	-	2,103,543	3,018,101	3,710,553	4,206,352
2007	-	-	-	-	-	-	-	2,010,184	2,988,446	3,318,761
2008	-	-	-	-	-	-	-	-	2,103,746	3,649,363
2009	-	-	-	-	-	-	-	-	-	2,400,780
Total	<u>\$ 5,035,240</u>	<u>\$ 13,507,436</u>	<u>\$ 27,743,863</u>	<u>\$ 46,961,547</u>	<u>\$ 55,761,021</u>	<u>\$ 60,454,583</u>	<u>\$ 65,185,454</u>	<u>\$ 69,479,082</u>	<u>\$ 77,239,004</u>	<u>\$ 83,139,889</u>

Loss Payments During the Year Ended

CLAIM YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2000	\$ 5,035,240	\$ 861,100	\$ 277,554	\$ 176,183	\$ 81,040	\$ 444	\$ 26,211	\$ 16,567	\$ 1,490,968	\$ 3,439
2001	-	7,611,096	2,015,195	542,931	410,410	637,956	186,169	7,236	85,841	9
2002	-	-	11,943,678	1,807,375	298,260	137,929	792,727	63,739	107,863	54,808
2003	-	-	-	16,691,195	2,922,469	318,177	340,919	565,286	1,071,557	448,267
2004	-	-	-	-	5,087,295	2,039,669	521,166	353,215	378,629	159,661
2005	-	-	-	-	-	1,559,387	760,136	362,843	850,602	462,192
2006	-	-	-	-	-	-	2,103,543	914,558	692,452	495,799
2007	-	-	-	-	-	-	-	2,010,184	978,262	330,315
2008	-	-	-	-	-	-	-	-	2,103,746	1,545,617
2009	-	-	-	-	-	-	-	-	-	2,400,780
Sub-total	<u>5,035,240</u>	<u>8,472,196</u>	<u>14,236,427</u>	<u>19,217,684</u>	<u>8,799,474</u>	<u>4,693,562</u>	<u>4,730,871</u>	<u>4,293,628</u>	<u>7,759,922</u>	<u>5,900,886</u>
Losses Paid for Years Prior to 1999	<u>3,076,666</u>	<u>1,236,344</u>	<u>644,140</u>	<u>1,068,920</u>	<u>100,948</u>	<u>495,934</u>	<u>36,530</u>	<u>2,181</u>	<u>(3,601)</u>	<u>1</u>
Total Losses paid per Statements of Revenues, Expenses and Changes in Net Assets	<u>\$ 8,111,906</u>	<u>\$ 9,708,540</u>	<u>\$ 14,880,567</u>	<u>\$ 20,286,604</u>	<u>\$ 8,900,422</u>	<u>\$ 5,189,496</u>	<u>\$ 4,767,401</u>	<u>\$ 4,295,809</u>	<u>\$ 7,756,321</u>	<u>\$ 5,900,886</u>



LOCAL GOVERNMENT INSURANCE TRUST
Loss Development

Ten Years Ended June 30, 2000 through June 30, 2009

Case Reserves as of June 30

CLAIM YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2000	\$ 772,073	\$ 521,797	\$ 364,423	\$ 319,206	\$ 277,884	\$ 227,308	\$ 159,896	\$ 2,353,079	\$ 34,628	\$ 10,222
2001	-	811,197	1,245,102	1,039,052	1,177,893	308,118	241,296	277,876	-	-
2002	-	-	1,367,829	1,504,698	687,335	712,889	321,685	148,478	218,794	226,756
2003	-	-	-	2,682,993	758,912	673,012	738,784	531,252	304,504	146,744
2004	-	-	-	-	1,946,379	746,234	362,760	780,903	194,471	82,616
2005	-	-	-	-	-	910,296	858,528	1,485,298	835,978	333,009
2006	-	-	-	-	-	-	1,129,902	1,774,564	948,878	545,541
2007	-	-	-	-	-	-	-	1,807,231	979,708	754,577
2008	-	-	-	-	-	-	-	-	1,645,625	1,535,212
2009	-	-	-	-	-	-	-	-	-	1,874,880
Total	<u>\$ 772,073</u>	<u>\$ 1,332,994</u>	<u>\$ 2,977,354</u>	<u>\$ 5,545,949</u>	<u>\$ 4,848,403</u>	<u>\$ 3,577,857</u>	<u>\$ 3,812,851</u>	<u>\$ 9,158,681</u>	<u>\$ 5,162,585</u>	<u>\$ 5,509,557</u>

Change in Case Reserves During the Year Ended

CLAIM YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2000	\$ 772,073	\$ (250,276)	\$ (157,374)	\$ (45,217)	\$ (41,322)	\$ (50,576)	\$ (67,412)	\$ 2,193,183	\$ (2,318,451)	\$ (24,405)
2001	-	811,197	433,905	(206,050)	138,841	(869,775)	(66,822)	36,580	(277,876)	-
2002	-	-	1,367,829	136,869	(817,363)	25,554	(391,204)	(173,207)	70,316	7,962
2003	-	-	-	2,682,993	(1,924,081)	(85,900)	65,772	(207,532)	(226,748)	(157,760)
2004	-	-	-	-	1,946,379	(1,200,145)	(383,474)	418,143	(586,432)	(111,855)
2005	-	-	-	-	-	910,296	(51,768)	626,770	(649,320)	(502,969)
2006	-	-	-	-	-	-	1,129,902	644,662	(825,686)	(403,337)
2007	-	-	-	-	-	-	-	1,807,231	(827,523)	(225,130)
2008	-	-	-	-	-	-	-	-	1,645,625	(110,413)
2009	-	-	-	-	-	-	-	-	-	1,874,880
Total	<u>\$ 772,073</u>	<u>\$ 560,921</u>	<u>\$ 1,644,360</u>	<u>\$ 2,568,595</u>	<u>\$ (697,546)</u>	<u>\$ (1,270,546)</u>	<u>\$ 234,994</u>	<u>\$ 5,345,830</u>	<u>\$ (3,996,096)</u>	<u>\$ 346,972</u>



LOCAL GOVERNMENT INSURANCE TRUST Loss Development

Ten Years Ended June 30, 2000 through June 30, 2009

Reported Losses (Paid Losses Plus Case Reserves) as of June 30

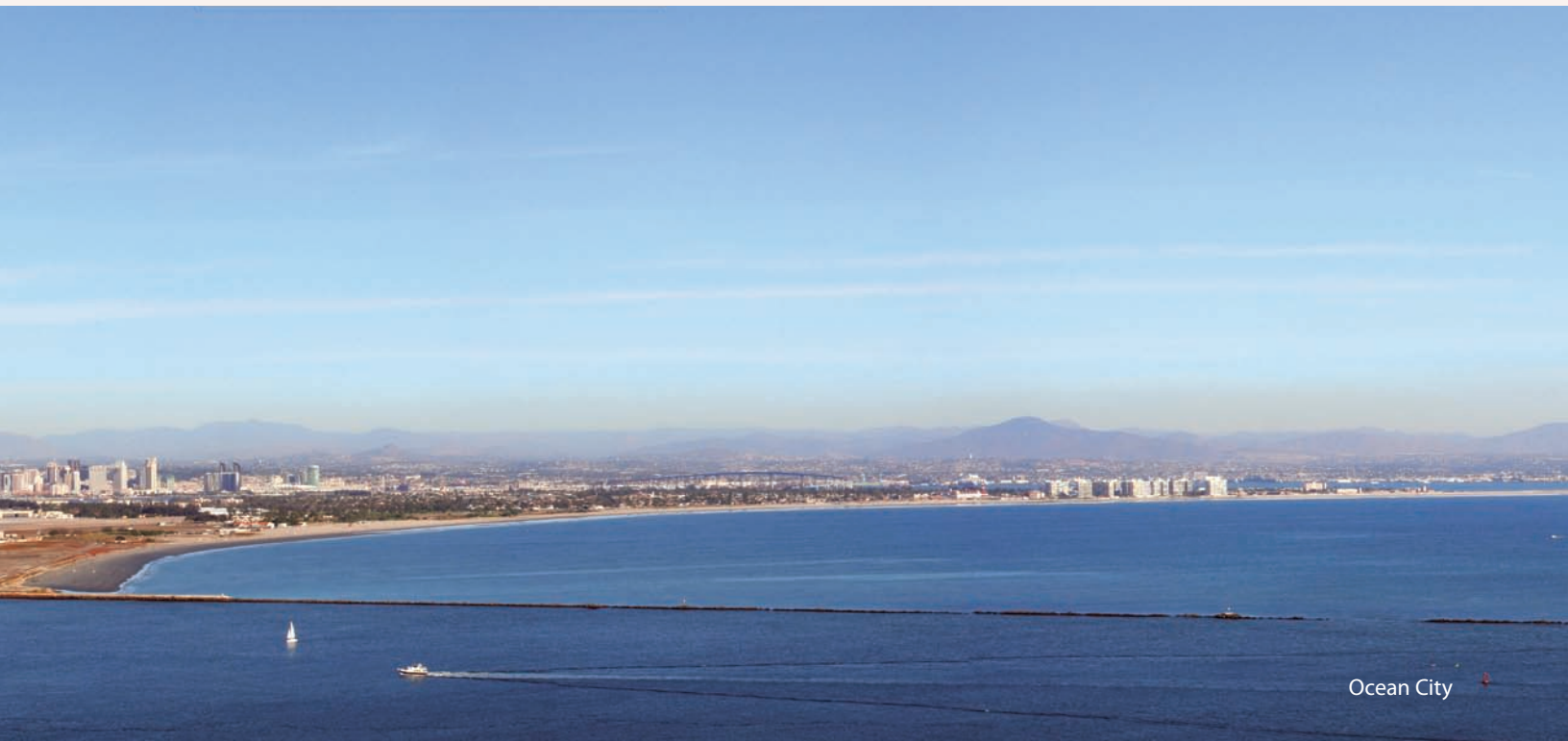
CLAIM YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2000	\$ 5,807,313	\$ 6,418,137	\$ 6,538,317	\$ 6,669,283	\$ 6,709,001	\$ 6,658,869	\$ 6,617,668	\$ 8,827,418	\$ 7,999,935	\$ 7,978,968
2001	-	8,422,293	10,871,393	11,208,274	11,757,525	11,525,706	11,645,053	11,688,869	11,496,834	11,496,843
2002	-	-	13,311,507	15,255,751	14,736,648	14,900,131	15,301,654	15,192,186	15,370,365	15,433,135
2003	-	-	-	19,374,188	20,372,576	20,604,853	21,011,544	21,369,298	22,214,107	22,504,614
2004	-	-	-	-	7,033,674	7,873,198	8,010,890	8,782,248	8,574,445	8,622,251
2005	-	-	-	-	-	2,469,683	3,178,051	4,167,664	4,368,946	4,328,169
2006	-	-	-	-	-	-	3,233,445	4,792,665	4,659,431	4,751,893
2007	-	-	-	-	-	-	-	3,817,415	3,968,153	4,073,338
2008	-	-	-	-	-	-	-	-	3,749,371	5,184,575
2009										4,275,660
Total	\$ 5,807,313	\$ 14,840,430	\$ 30,721,217	\$ 52,507,496	\$ 60,609,424	\$ 64,032,440	\$ 68,998,305	\$ 78,637,763	\$ 82,401,589	\$ 88,649,446

Incremental Losses Reported During the Year Ended

CLAIM YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2000	\$ 5,807,313	\$ 610,824	\$ 120,180	\$ 130,966	\$ 39,718	\$ (50,132)	\$ (41,201)	\$ 2,209,750	\$ (827,483)	\$ (20,966)
2001	-	8,422,293	2,449,100	336,881	549,251	(231,819)	119,347	43,816	(192,035)	9
2002	-	-	13,311,507	1,944,244	(519,103)	163,483	401,523	(109,468)	178,179	62,770
2003	-	-	-	19,374,188	998,388	232,277	406,691	357,754	844,809	290,507
2004	-	-	-	-	7,033,674	839,524	137,692	771,358	(207,803)	47,805
2005	-	-	-	-	-	2,469,683	708,368	989,613	201,282	(40,778)
2006	-	-	-	-	-	-	3,233,445	1,559,220	(133,234)	92,462
2007	-	-	-	-	-	-	-	3,817,415	150,738	105,185
2008	-	-	-	-	-	-	-	-	3,749,371	1,435,204
2009	-	-	-	-	-	-	-	-	-	4,275,660
Total	\$ 5,807,313	\$ 9,033,117	\$ 15,880,787	\$ 21,786,279	\$ 8,101,928	\$ 3,423,016	\$ 4,965,865	\$ 9,639,458	\$ 3,763,826	\$ 6,247,857



Mission Statement



Ocean City

The Local Government Insurance Trust
will provide coverage and risk management services
at stable and competitive rates through an organization
that is owned and managed by its
Maryland local government members.



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